

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT





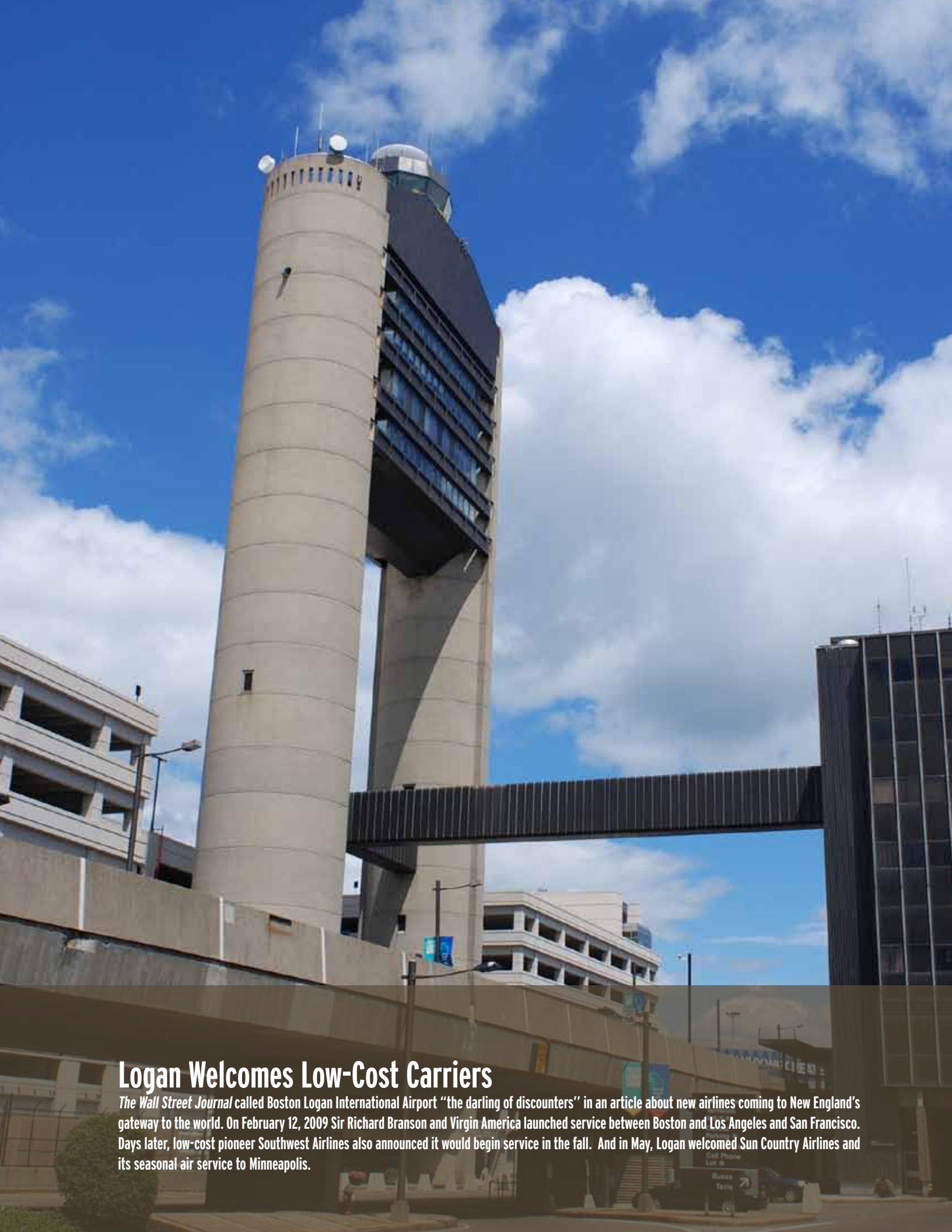
Thomas J. Kinton, Jr., CEO & Executive Director of the Massachusetts Port Authority, and the Administration and Finance department are pleased to issue this comprehensive annual financial report for the fiscal year ending June 30, 2009. We are grateful to each department within the Massachusetts Port Authority for their assistance in the development of this important document.

The staff of the Aviation, Bridge, Maritime, Capital Programs and Environmental Affairs, Legal, Information Technology, Internal Audit, Strategic Communications and Marketing departments helped us to assemble the operational, statistical, and financial components of this annual report which we intend to submit to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.

The result of the diligent effort put forth by the Massport staff members, including the Administration and Finance team, is a high-quality, informative and comprehensive report that allows the reader to better understand both the operational and financial management of the Aviation, Maritime, and Tobin Bridge business lines with the Massachusetts Port Authority.

The events and accomplishments detailed inside describe just some of the reasons the Massachusetts Port Authority continues to stand apart as a dynamic, versatile and adaptable public authority that for more than half a century has successfully met the challenges of providing for the ever-changing transportation needs of Boston, Massachusetts and New England.





Logan Welcomes Low-Cost Carriers

The Wall Street Journal called Boston Logan International Airport “the darling of discounters” in an article about new airlines coming to New England’s gateway to the world. On February 12, 2009 Sir Richard Branson and Virgin America launched service between Boston and Los Angeles and San Francisco. Days later, low-cost pioneer Southwest Airlines also announced it would begin service in the fall. And in May, Logan welcomed Sun Country Airlines and its seasonal air service to Minneapolis.

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American Recovery and Reinvestment Act

Federal stimulus funds put Bay State residents to work and Massport had shovel ready projects which received the funding. More than \$13 million in federal funds allowed Boston Logan International Airport to become the first airport in the nation to re-pave an entire runway using “warm mix” asphalt. The green asphalt is both 75 degrees cooler and uses 20% less energy to make. Federal funds were also used to provide electric plug in stations for fishing boats off-loading at Massport’s Fish Pier. The stations allow fishermen to turn off their diesel engines and reduce emissions by 95 %. Massport also received stimulus funding just under \$2 million in an effort to rehabilitate L.G. Hanscom Field’s Taxiways M & G.





November 20, 2009

To the Members of the Massachusetts Port Authority:

We are pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the Massachusetts Port Authority (the “Authority” or “Massport”) as of and for the fiscal year ended June 30, 2009 (“fiscal year 2009”). This report was prepared by the Authority’s Administration and Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. This report, in all material respects, fairly presents and discloses the Authority’s financial position, results of operations, and cash flows as of and for the year ended June 30, 2009 in accordance with the requirements of accounting principles generally accepted in the United States of America (“GAAP”).

Certain information within the CAFR has been presented based on the accounting principles prescribed under the Trust Agreement dated as of August 1, 1978, as amended (the “1978 Trust Agreement”), between the Authority and U.S. National Bank Association (successor in interest to State Street Bank and Trust Company), as Trustee, and under the PFC Trust Agreement dated as of May 1, 1999 (the “PFC Trust Agreement” and together with the 1978 Trust Agreement, the “Trust Agreements”) between the Authority and The Bank of New York Mellon, as Trustee, (collectively referred to as “Trust Accounting”). Specifically, information within the CAFR under the Annual Disclosure and PFC Disclosure tabs are presented in accordance with the respective Trust Agreements. Please see footnote B in the notes to the financial statements as of June 30, 2009, for the reconciliation between GAAP and Trust Accounting. In addition, statistical tables S-4, S-5 and S-6 included in the Statistical Section of the CAFR present historical financial information based on Trust Accounting, and should be read in connection with the audited financial statements attached hereto.

The CAFR was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (“GFOA”). The GFOA awards Certificates of Achievement for Excellence in Financial Reporting to those governments or similar entities whose annual financial reports are judged to conform substantially to the high standards of public financial reporting promulgated by the Governmental Accounting Standards Board. GAAP requires that management provide a narrative overview and analysis of the financial results of the Authority to accompany its financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the Report of Independent Auditors in the Financial Section of the CAFR.

Overview of the Massachusetts Port Authority

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the “Enabling Act”) and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”).

The Authority’s facilities include airport properties, comprising Boston-Logan International Airport (“Logan Airport”) and Laurence G. Hanscom Field (“Hanscom Field”), (collectively “Aviation”); the Maurice J. Tobin Memorial Bridge (the “Bridge”); and the Paul W. Conley Marine Terminal (“Conley Terminal”) and various port properties (the “Port”), located in Charlestown, South Boston and East Boston. On January 15, 2000, the Authority also assumed operating responsibility for the Worcester Regional Airport pursuant to an operating agreement (the “Worcester OA”) among the Authority, the City

of Worcester, Massachusetts and the Worcester Airport Commission. In November 2008, this agreement was extended through December 31, 2010.

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. It is the primary source of the Authority's revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. The Port is New England's major port and provides a full range of services, from cruise ship to container ship handling. The Bridge is one of greater Boston's primary cross-harbor roadway connections and is a part of U.S. Route 1. In addition to operating its facilities, the Authority is committed to providing the modern infrastructure necessary to support the transportation needs of Boston, Massachusetts and New England.

The Authority operates its business to achieve five primary public service objectives which are to:

- maintain and enhance safety and security on Massport-owned facilities;
- provide high quality standards of service, superior facilities and customer convenience to the 25.0 million aviation passengers at Logan Airport, 275,000 cruise passengers, Massport's primary shipping partners that service 115,000 containers of product at the Port and the vehicles using the Tobin Bridge, all in fiscal year 2009;
- keep operating costs low to assist Massport's business partners during this period of economic uncertainty as well as maximize revenue opportunities from all business lines;
- allocate sufficient resources to build and maintain Massport's transportation facilities that promote local and regional economic prosperity and development; and
- establish the Authority as a leader in energy and environmental concerns with initiatives to develop energy management plans focused on reducing the use of fossil fuels while, at the same time, effectively and efficiently operating its facilities and providing services to its constituents.

The Authority's business consists of three distinct operating departments: Aviation, the Port and the Bridge. During fiscal year 2009, the Authority generated approximately \$542.8 million in operating revenues from these departments, which represented a decline of \$22.7 million or 4.0% compared to fiscal year 2008. This revenue decline was consistent with nationwide economic trends, and represents the first decline in operating revenues in over 30 years of operations, except for the unprecedented events of September 11, 2001. Operating expenses were approximately \$519.5 million compared to \$526.4 million in fiscal year 2008. Overall, the Authority reported net operating income of \$23.3 million during fiscal year 2009, which represented a decrease of \$15.8 million or 40.4% compared to fiscal year 2008. Massport's three business lines are not immune to the economic realities of the world wide recession, and during fiscal year 2008 and 2009, management implemented cost reduction plans that produced \$13.0 million in aggregate operating savings to offset the revenue impacts of this recession.

Additionally, the Authority generated \$12.1 million in non-operating revenue and received approximately \$43.0 million in capital grant revenue during fiscal year 2009. A portion of this capital grant revenue came from the American Recovery & Reinvestment Act, and was used to improve the efficiency of the Authority's transportation facilities and at the same time, advanced the Authority's commitment toward a cleaner environment. More than \$13.0 million of these federal funds enabled Logan Airport to become the first airport in the United States to re-pave an entire runway with a more environmentally-friendly "warm mix" asphalt that is both 75 degrees cooler and uses 20% less energy to manufacture. Federal funds were also used to provide electrical stations for fishing boats off-loading at the Authority's Fish Pier, reducing air pollution from engine idling by 95%.

During fiscal year 2009, the Authority's net assets increased by \$78.4 million as a result of its operations and the receipt of federal and state grants. The following describes the specific operating business lines and the related drivers of their respective business plans.

Aviation

The financial success of Massport's Aviation unit depends on three primary revenue components: landing fees, terminal rentals and parking fees.

Landing fees represent those amounts earned from airlines for their use of the airfield and related infrastructure. These fees are based on the Authority's actual aviation related infrastructure costs, including but not limited to, airfield maintenance, aviation specific capital expenditures and direct and allocated indirect operating costs incurred by the Authority. Landing fees are charged to airlines based on each aircraft's landed weight. The Authority works diligently to ensure that the cost structure associated with maintaining its Aviation assets and infrastructure efficiently supports the airlines. Each investment decision, whether capital or operating in nature, is evaluated to ensure that the Authority invests properly for the benefit of the airlines and the traveling public.

Terminal rents are received by the Authority for space rented by airlines in the terminal buildings. Terminal rental rates are based on the Authority's actual costs of the respective terminals, not on market conditions.

Logan Airport is well-diversified and benefits from a variety of airlines as Aviation customers. This is because Logan Airport operates as an origination and destination airport as opposed to an airport hub. During fiscal year 2009, the largest customer of the Aviation unit accounted for approximately 12.6% of total landing fee and terminal rent revenues. In addition, the top three airlines at Logan Airport accounted for 36.6% of its total landing fee and terminal rental revenues, which is consistent with fiscal year 2008.

Parking fees are earned from the use of the Authority's parking facilities. Parking revenue continues to be dependent upon three key components: the number of vehicle exits, length of stay and parking rates.

Currently, Massport is operating in a period of economic uncertainty in the aviation industry and the economy as a whole, but the Authority's management believes that its Aviation business can withstand these turbulent economic times based on the following three strategic advantages: (i) Logan Airport serves the 11th largest origin and destination market in the United States and nine out of ten passengers using Massport's facilities call the Boston area home or come to the region to visit, vacation or to conduct business, (ii) Logan Airport is the second largest U.S. international gateway airport among non-hub airports based on the number of international passengers, and (iii) Logan Airport is less exposed to industry consolidations since few airlines have overlapping routes, no single carrier dominates service and Logan Airport does not serve as any airline's hub.

The Port

The Authority owns, manages, develops and operates the public cargo and passenger terminals of the Port. The Port is New England's major port and the only port in the region that provides the full range of services to the maritime shipping industry, including, container handling, cruise ships and automobile cargo holding. The Port experienced a decrease in operating activity with respect to container volume from its shipping lines during fiscal year 2009 as a result of the continued global economic contraction. Specifically, container volume decreased approximately 8.1% during fiscal year 2009.

The Bridge

The Bridge is used by approximately 10.3 million in-bound traveling vehicles annually to cross the Mystic River from the City of Chelsea to the Charlestown section of the City of Boston, and tolls are

levied only on these in-bound vehicles in order to alleviate out-bound traffic congestion on the Bridge. On average, 28,200 daily vehicles traveled in-bound on the Bridge during fiscal year 2009. Pursuant to Chapters 25, 26 and 120 of the Acts of 2009 (collectively, the “Transportation Reform Act”), the Authority will transfer the Bridge to the Massachusetts Department of Transportation (“MassDOT”) on January 1, 2010. Please see Legislative Developments below.

Economic Conditions and Local Economy

Recently, airlines have significantly reduced route capacity, halted orders for or delayed delivery of newer more efficient airplanes, and raised existing fees and created new fees in order to generate cash and liquidity to withstand the current global economic slowdown. Against a backdrop of low consumer confidence, an airline industry that is experiencing significant financial and operational pressures and container shipping lines being negatively affected from slower maritime imports, there remain a number of positive economic fundamentals that support the transportation markets the Authority serves. As of June 30, 2009, the state’s unemployment rate was lower than the national average. According to the Bureau of Labor Statistics, the state’s seasonally-adjusted unemployment rates were 5.1% and 8.6% as of June 30, 2008 and 2009, respectively, and were below the national seasonally-adjusted unemployment rates of 5.6% and 9.5% as of June 30, 2008 and 2009, respectively.

Since 2001, the global airline industry has undergone substantial structural changes and sustained significant financial losses. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the strength of the U.S. economy, other regional and world economies, corporate profitability, security concerns and other factors. Permanent structural changes to the industry are the result of a number of factors including the impact of fuel costs, passenger volumes and available capacity within the airline industry.

Legislative Developments

The Transportation Reform Act established MassDOT on November 1, 2009, which includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. It also places the Massachusetts Bay Transportation Authority and the regional transportation authorities under the supervision of MassDOT. As required by the Transportation Reform Act, as of January 1, 2010, the ownership, operation and associated liabilities of the Bridge will be transferred to MassDOT (with the exception of a few administrative services that the Authority will continue to provide until June 30, 2010, the costs of which MassDOT will fully reimburse the Authority). In addition to the transfer of the Bridge, the Authority anticipates that it will assume full ownership of the Worcester Regional Airport by the end of fiscal year 2010. The Authority’s past involvement and hands-on management of this facility put the Authority in an excellent position to integrate this new Aviation asset into its business plan. The Authority’s management is currently working with MassDOT and the City of Worcester to effectuate these transfers, while complying with all applicable law and preserving the important transportation mission of the Authority.

Major Initiatives

Capital Program

On March 18, 2009, the Members of the Authority approved its capital program for fiscal years 2009 through 2013 (the “FY09-FY13 Capital Program”). The FY09-FY13 Capital Program represents a comprehensive and coordinated capital improvement and financial master plan for all Authority facilities. The program was developed in order to continue to fund security initiatives and airfield operation enhancements, through maximizing Federal Aviation Administration (“FAA”) and Transportation Security Administration (“TSA”) grant receipts and utilizing a \$4.50 Passenger Facility Charge (“PFC”) and a \$4.00 Customer Facility Charge (“CFC”) (which will increase to \$6.00 on December 1, 2009) specifically for financing a new consolidated car rental facility. The FY09-FY13 Capital Program

allocates a significant amount of funding to important initiatives including existing security challenges facing the aviation industry, maintaining and enhancing the public airfield and making improvements to the public parking facilities at the Airport. At the same time, the Authority continues to strive to avoid or minimize adverse local and regional impacts associated with operations at the Airport and the Authority's other facilities. The FY09-FY13 Capital Program includes capital projects totaling approximately \$874.0 million. Funding for these projects will be provided from a number of sources, primarily Massport generated funds, FAA stimulus funds, bond issuances, other grant funding, PFCs and CFCs.

During fiscal year 2009, the Authority disbursed approximately \$169.6 million on its on-going capital program. Major projects under construction during fiscal year 2009 included the Centerfield Taxiway, new State Police headquarters, acquisition of land for future expansion of the Conley Terminal, Bridge paving and the final payment to complete the acquisition of roadways leading into Logan Airport. Massport took an important step toward making Logan Airport's airfield safer for pilots, passengers and crews when it opened the Centerfield Taxiway during fiscal year 2009 three months ahead of schedule and \$12 million under budget. The 9,300 foot taxiway improves airfield safety by reducing the number of aircraft crossings. The taxiway "Mike" will speed planes to and from gates and is expected to reduce annual delays by 10,000 hours.

Security

The Authority has always placed a high priority on maintaining a strong security program. Since September 11, 2001, the Authority has undertaken numerous new security initiatives including the terminal modifications required to house the TSA's 100%-baggage screening system, an access control system and various other boundary security measures. With increased TSA standards for maritime security and the Maritime Security Plans for each of its regulated maritime facilities to the United States Coast Guard through June 30, 2009, the Authority completed over \$3.1 million of capital improvements at its maritime facilities to improve perimeter security, access control, emergency power and lighting and other security measures. The Authority continues to place the highest priority on protecting its constituents and making its facilities as safe and secure as possible.

Federal Funding

The Authority participates in the FAA's Airport Improvement Program ("AIP"), which provides Airport and Airway Trust Fund money for airport development, airport planning and noise abatement programs. The FAA offers both entitlement and discretionary grants for eligible projects. AIP grant revenue in fiscal years 2009 and 2008 totaled \$41.3 million and \$39.4 million, respectively. AIP grant revenue represents approximately 96.1% and 94.3% of total capital grant revenue earned during fiscal year 2009 and 2008, respectively.

During fiscal year 2004, the Authority and the FAA executed a Letter of Intent ("LOI") pursuant to which the FAA agreed to provide approximately \$90.8 million in grants over an eight-year period to assist the Authority with its airside improvement program. In fiscal year 2009, the Authority secured \$11.0 million in grants under the LOI, which was included in the \$41.3 million of AIP grant revenue discussed above. In addition, the Authority secured \$25.4 million, \$13.6 million and \$15.0 million in AIP grants during fiscal years 2008, 2006 and 2005, respectively, under the LOI. Total grants awarded under the LOI through June 30, 2009 were approximately \$65.0 million.

Passenger Facility Charge Program

In 1993, the FAA approved the Authority's application to levy a PFC of \$3.00 collected from eligible passengers enplaning at Logan Airport on and after November 1, 1993. In 2005, the FAA approved the Authority's application to increase the PFC to \$4.50, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project and decreasing the amount for certain completed PFC projects. Subsequently, the FAA approved the Authority's application to add ten

new projects to Logan Airport's PFC Program, to amend one previously-approved project and to request authority to collect a \$4.50 PFC to fund the projects. In 2009, the FAA approved the Authority's application for an administrative amendment requesting "use" authority for the Centerfield Taxiway project, resulting in the current total PFC collection authority of \$991.9 million. The projected expiration date for the collection of the \$4.50 PFC is February 1, 2016.

The Authority pledged PFCs pursuant to the PFC Trust Agreement to secure bonds issued thereunder (the "PFC Bonds") and to fund construction of eligible portions of the FAA-approved projects. In the event that PFC Bond proceeds, PFCs and other funding sources are inadequate to meet anticipated project costs, projects may be deferred, altered or canceled.

Financial Policies and Practices

Internal Control Environment

The Authority follows accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. Accordingly, the Authority's financial statements are prepared on an accrual basis of accounting.

To provide the Authority with reasonable assurance that its financial resources are safeguarded against waste, loss and misuse, and that reliable accounting and financial data are timely, complete, relevant, accurate and fairly disclosed in reports, the Authority has established a system of internal controls. These internal controls provide the Authority with financial and accounting records from which financial statements are prepared. The Authority's Internal Audit function maintains oversight over the key areas of the Authority's business and financial processes and controls. The Authority's Internal Audit team evaluates the Authority's internal control structure. In addition, the Authority's Audit and Finance Committee plays a critical role in the oversight of the Authority's internal control structure. This committee meets with the senior staff of the Authority and has regular communication with the Authority's independent auditors, PricewaterhouseCoopers LLP. Internal Audit reports directly to the Authority's Audit and Finance Committee.

Management has established and maintains a system of internal controls to provide reasonable assurance that material financial information required to be disclosed by the Authority in its CAFR is recorded, processed, summarized and reported to management in a timely manner. Management has reviewed the Authority's current controls and procedures within the past 90 days and believes that such controls and procedures provide reasonable assurance as to the integrity and accuracy of the financial statements, in all material respects. The concept of reasonable assurance is based on the recognition that the cost of controls should not exceed the relative benefit of such controls, and requires estimates and judgment by management.

Budgetary Controls

Budgeting control and evaluation are accomplished by comparing actual interim and annual results with the budget. The Authority prepares budget and non-GAAP actual financial statements on a monthly basis and prepares unaudited GAAP financial statements on a quarterly basis.

If significant changes occur in the amounts available from expected funding sources, or if the costs of certain projects increase significantly, the Authority will reduce the scope of proposed projects, the overall capital program or both. Many of the commitments within the Authority's capital plan have already been authorized by the Authority and extend over several years. Nevertheless, each project within its capital program is a separate "module" that the Authority approves individually along with a separate project budget. This permits the Authority to undertake the construction and financing of each of these additional projects independently of other capital projects. The Authority believes that the modular

design of the capital program significantly increases its ability to make adjustments in capital spending when necessary.

Accountability for Performance

The Authority's three operating departments, Aviation, Port and Bridge, have distinct profit and loss responsibility. The staff overseeing the operation of the Authority's facilities is charged with balancing financial performance with operational demands and customer service as well as forecasting the implications of any proposed capital programs or operating initiatives, and for the collection of accounts receivable.

All of the Authority's internal reporting metrics have been refined to support the highlighted accountability of the operating departments. The metrics are reviewed monthly, and quarterly performance meetings are held involving business units, finance staff and executive management. A business plan has been developed that incorporates all operating and capital budget information as well as performance objectives.

Cash Management and Investments

All investments must be made pursuant to the Investment Policy adopted in 2000 by the Members of the Authority. The majority of the Authority's funds, including investments, is held by the Trustees under the 1978 Trust Agreement or the PFC Trust Agreement, respectively, or custodians for such Trustees, and is invested at the direction of the Authority. An investment committee meets monthly to review projected cash flow needs and investments, and an investment oversight committee meets quarterly to review the Authority's existing portfolios for compliance with the Investment Policy and comparability with external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

Cash collections during fiscal year 2009 of approximately \$544.9 million were sufficient to meet the Authority's operating expenses, make required debt service payments and make the necessary investments in its existing infrastructure assets and new capital programs for the continued benefit of its transportation constituents. As of June 30, 2009, as required by their respective Trust Agreements, the debt service reserve funds for bonds secured by the 1978 Trust Agreement and the 1999 PFC Trust Agreement held \$114.4 million and \$30.2 million, respectively, to support their respective annual debt service requirements on the Authority's outstanding bonds. Furthermore, the Authority generated sufficient net revenues to achieve 2.10 and 2.08 times debt coverage on bonds outstanding issued under the 1978 Trust Agreement and the 1999 PFC Trust Agreement, respectively, as of June 30, 2009. All of the Authority's general revenue bonds and PFC bonds are secured by debt service reserve funds that are fully funded with cash.

Capital Financing and Debt Management

As of June 30, 2009, outstanding debt obligations of the Authority issued pursuant to the 1978 Trust Agreement and the PFC Trust Agreement totaled approximately \$1.5 billion including subordinated revenue bonds but excluding commercial paper. (Special facilities revenue bonds issued on behalf of and payable by certain borrowers are excluded because they are not obligations of the Authority.) In fiscal year 2009, the total amount deposited to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations) was an aggregate of \$106.7 million of principal and interest, and the total amount deposited to pay debt service on bonds issued pursuant to the PFC Trust Agreement was an aggregate of \$27.2 million of principal and interest.

In connection with the transfer of the Bridge to MassDOT, on July 24, 2009, the Authority defeased \$21.7 million of the outstanding 1999-D Bonds as a surrogate refunding of all outstanding debt that had been

issued in regards to capital expenditures on the Bridge. As a result there will be no continuing obligation to the Authority for debt associated with the Bridge.

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2009, the Authority's revenue bonds had underlying ratings of AA by Fitch, Aa3 by Moody's and AA- by S&P. When the Authority issued the 2008 Bonds in June 2008, they were assigned a long-term rating of AAA, and short-term ratings of F1+, VMIG1 and A1 reflecting the Letter of Credit issued by Bank of America; also the Authority's underlying ratings of AA, Aa3 and AA- were affirmed by Fitch, Moody's and S&P, respectively.

The Authority's PFC Revenue Bonds are insured by Financial Security Assurance Inc. ("FSA") and were rated AAA, Aaa and AAA, as insured, by Fitch, Moody's, and S&P, respectively. When the Authority issued the 2007 PFC Bonds in May 2007, those bonds were assigned underlying ratings of A+ by Fitch, A2 by Moody's and A by S&P, without regard to the bond insurance policy. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on the credit facility provided by The Bank of New York. In November 2008, Moody's lowered the insurer financial strength rating on FSA from Aaa to Aa3 and, accordingly, lowered the ratings on the 1999-B PFC Bonds, the 2007 Bonds and the 2007 PFC Bonds from Aaa to Aa3. Also in November 2008, S&P and Moody's lowered the insurer financial strength on Ambac Assurance Corporation from AA and Aa3 to A and Baa1, respectively and, accordingly, has lowered the ratings on the 2005-A and 2005-C Bonds from AA and Aa3 to AA- and Aa3, respectively, which ratings are based on the Authority's underlying ratings.

Pension Costs

Chapter 487 of the Massachusetts Acts of 1978 ("C. 487") provided for the establishment of the Massachusetts Port Authority Employees' Retirement System (the "Plan"), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to 1978, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay-as-you-go" method. Pursuant to C. 487, the Authority employees' rights and benefits under the state plan were transferred to the Plan, and the Authority established a separate pension fund. The Plan is a single employer plan that provides retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries, and contingent annuitants. The Plan is a contributory defined benefit plan to which both the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to Plan participants. As of January 1, 2008, the Plan was 102.5% funded using the Frozen-Entry-Age Actuarial Cost Methodology as required by the Plan. Total contributions to the Plan made by the Authority were \$1.0 million and \$0.4 million for the years ended December 31, 2007 and 2008, respectively. Total contributions made by employees to the Plan were \$7.6 million and \$8.1 million for the years ended December 31, 2007 and 2008, respectively. Please see footnote G of the Authority's financial statements for more detailed information. The continuing credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets, which has adversely affected the value of the Plan's assets. The Authority cannot predict how long or severe the current economic recession will be or how negatively the value of the Plan's assets will be affected.

Other Post-Employment Benefits

During fiscal year 2009, the Authority commissioned an actuarial valuation as of June 30, 2009, which estimated the Authority's liability associated with other post-employment benefits other than pensions ("OPEB") to be \$219.6 million. In June 2008, the Authority established an irrevocable trust (the "Retiree Benefits Trust") to partially fund the projected accrued liability for other post-employment benefits. The Authority has transferred approximately \$69.0 million into the Retiree Benefits Trust since its inception in fiscal year 2008. Based on the actuarial value of the assets held by the Retiree Benefits Trust, the

Authority's OPEB liability was 22.3% funded as of June 30, 2009. Prior to the establishment of the Retiree Benefits Trust, the Authority funded other post-employment benefits exclusively on a pay-as-you-go basis.

OTHER INFORMATION

Independent Audit

An audit of the Authority's financial statements as of and for fiscal years 2009 and 2008 has been completed by the Authority's independent auditor, PricewaterhouseCoopers LLP. Its report is included herein and includes an unqualified opinion on the Authority's financial statements.

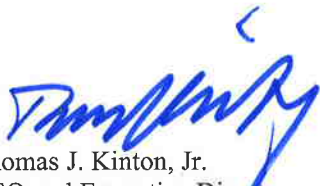
Awards

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes that its current CAFR continues to meet the Certificate of Achievement program's requirements and it will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for fiscal year 2009.

Requests for Information

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Financial information can be found in the Investor Relations section of the Authority's website at http://www.massport.com/about/about_inves.html. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2009 are available at <http://www.emma.msrb.org> or from the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Pranckevicius, CPA, Director of Administration and Finance and Secretary-Treasurer of the Massachusetts Port Authority.

Very truly yours,



Thomas J. Kinton, Jr.
CEO and Executive Director



John P. Pranckevicius, CPA
Director of Administration and Finance and Secretary-Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Port Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. Rut".

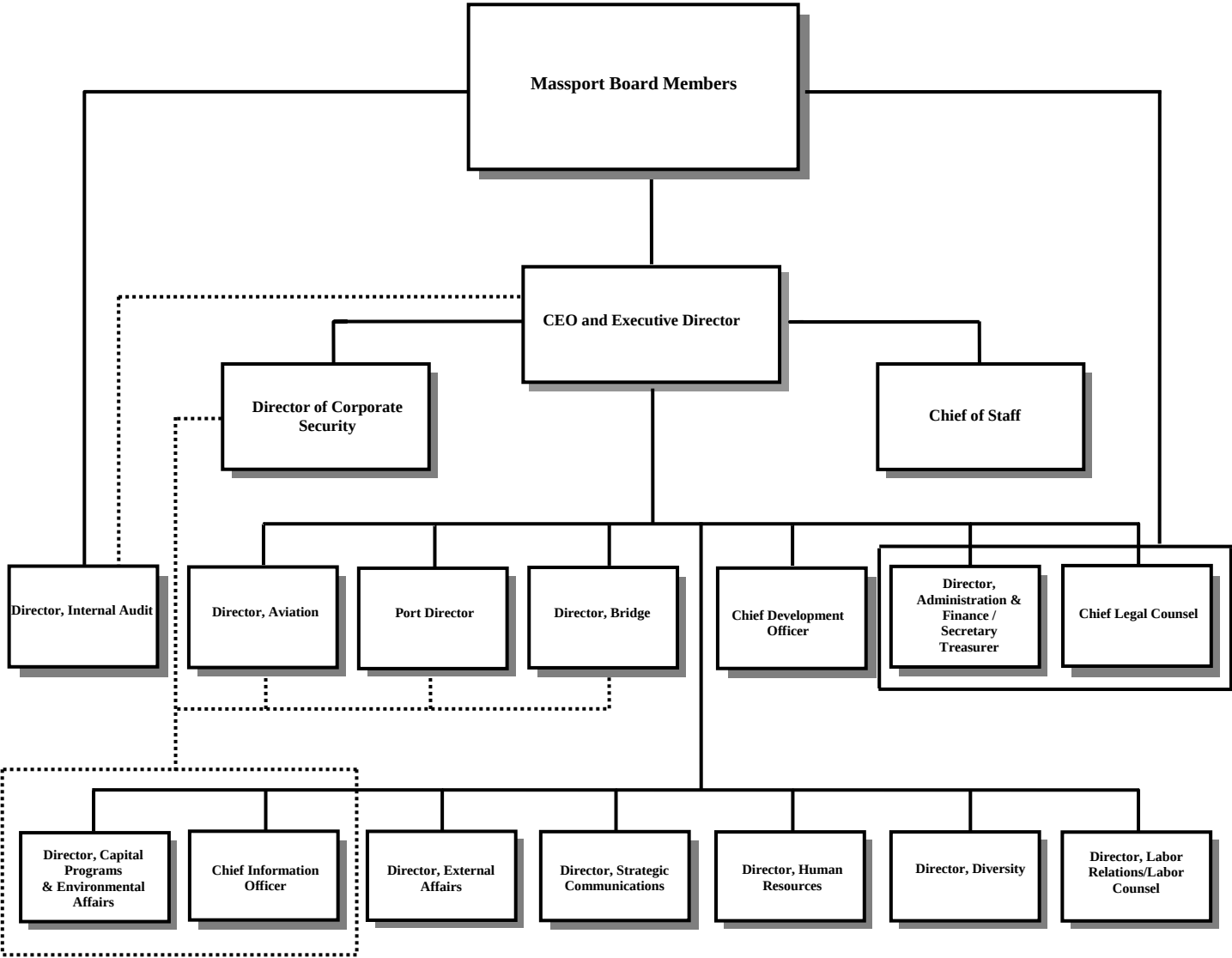
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director

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Massport Organization Chart



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Authority Board Members

The Authority consists of seven Members; six appointed by the Governor of Massachusetts to staggered terms of seven years each, and the Secretary and Chief

Executive Officer of MassDOT.

Members serve without compensation.

There are currently two vacant positions

John A. Quelch, Chairman

Jeffrey B. Mullan, Secretary and Chief Executive Officer of MassDOT

Ranch C. Kimball

Paul J. McNally

Frederic Mulligan

Executive Staff

Thomas J. Kinton, Jr., CEO and Executive Director

George K. Hertz, Chief of Staff

John P. Prankevicius, Director of Administration and Finance/Secretary-Treasurer

Francis X. Anglin, Chief Information Officer

Sandra Casey Buford, Director of Diversity

Thomas J. Butler, Director of External Affairs

Edward C. Freni, Director of Aviation

David M. Gambone, Director of Human Resources

Michael A. Leone, Port Director

Danny T. Levy, Director of Strategic Communications

David S. Mackey, Chief Legal Counsel

Mary Jane O'Meara, Bridge Director

Lowell L. Richards, III, Chief Development Officer

Houssam H. Sleiman, Director of Capital Programs & Environmental Affairs

Kelly B. Strong, Director of Labor Relations/Labor Counsel

Gail S. Titus, Director of Internal Audit

Dennis P. Treece, Director of Corporate Security

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Airports Council International Conference

Hundreds of Massport volunteers helped make an estimated 2,000 airport executives from around the world feel right at home when Boston played host to the ACI World/ACI North America Conference & Exhibition at the Hynes Convention Center. This was the second time the two ACI chapters held a joint conference and the first time since 2001. Massport partnered with dozens of local businesses whose sponsorships helped make the conference a memorable event for ACI guests from some 50 countries.

Massachusetts Port Authority

**Financial Statements with
Management's Discussion and Analysis
June 30, 2009 and 2008**

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Report of Independent Auditors

To the Members of the Massachusetts Port Authority:

In our opinion, the accompanying balance sheets, the related statements of revenue, expenses, and changes in net assets, and statements of cash flows present fairly, in all material respects, the financial position of the Massachusetts Port Authority (the "Authority") (a public instrumentality of The Commonwealth of Massachusetts) at June 30, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Management's Discussion and Analysis presented on pages 21 through 33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The information on pages 71 through 73 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 28, 2009

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MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)

Introduction

The following discussion and analysis of the financial performance and activity of the Massachusetts Port Authority (the “Authority”) is intended to provide an introduction and an overview of the financial statements of the Authority as of and for the years ended June 30, 2009 (“fiscal year 2009”), 2008 (“fiscal year 2008”) and 2007 (“fiscal year 2007”), respectively. This discussion should be read in conjunction with the audited financial statements attached hereto. Management has established and maintains certain internal controls and procedures designed to ensure that the annual financial statements are free from material misstatement and that all required disclosures are made in its annual financial statements. Management has reviewed the Authority’s current internal controls and procedures within the past ninety days and believes that such controls and procedures are adequate in order to record, process, summarize and report to management material information required to be disclosed by the Authority in its annual financial statements.

The Authority owns Logan Airport, Hanscom Field, the Tobin Bridge (the “Bridge”), Conley Terminal and various other maritime properties (the “Port”). The Authority has no taxing power and is not taxpayer funded. It uses revenues from landing fees, parking fees, fees from terminal and other rentals, revenues from concessions, Bridge tolls, ground rents, and other fees and charges to fund operating expenses. The Authority’s revenues also fund its capital expenditures; however, other sources of capital including, revenue bonds issued by the Authority, federal grants, passenger facility charges (“PFCs”), and customer facility charges (CFC’s), are also planned to fund the Authority’s capital programs. The Authority’s bonds are secured solely by the Authority’s Revenues, as defined by the 1978 Trust Agreement and the PFC Revenue Bond Trust Agreement, respectively. The Authority’s bonds do not constitute a debt, or a pledge of the full faith and credit of the Commonwealth of Massachusetts or of any political subdivision thereof.

The Financial Statements

The Authority’s financial statements include three financial statements: the Balance Sheets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The Balance Sheets depict the Authority’s financial position as of a point in time, specifically June 30, and include all assets and liabilities of the Authority. The net assets represent the residual interest in the Authority’s assets after liabilities are deducted, and are displayed in three components: investment in capital assets, net of related debt, restricted and unrestricted. The component of net assets comprising of investments in capital assets, net of related debt, includes restricted capital assets, is net of accumulated depreciation and is reduced by the outstanding balances of any outstanding debt and debt service reserves that are attributable to the acquisition, construction or improvement of those assets. Please see note A in the financial statements attached hereto for a discussion on the Authority’s net assets.

The Statements of Revenues, Expenses and Changes in Net Assets report total operating revenues, operating expenses, nonoperating revenue and expenses, and other changes in net assets for the period ending of the fiscal year. Revenues and expenses are categorized as either operating or nonoperating based upon management’s policies as established in accordance with definitions set forth by the GASB. Certain sources of the Authority’s revenues, including PFCs, investment income and capital grants are

reported as nonoperating revenues and their uses are restricted and generally are not available for operating purposes.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

Financial Highlights

- The Authority's net assets increased by approximately \$78.4 million or 5.1% to \$1.6 billion during the fiscal year 2009, primarily due to the receipt of approximately \$43.0 million of capital grant revenues.
- During fiscal year 2009, the Authority spent \$169.6 million on its capital plan, inclusive of investments in construction work-in process.
- The Authority issued \$38.0 million of refunding bonds during fiscal year 2009 for a net present value savings of \$1.7 million.
- The Authority adopted GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), which resulted in the recognition of approximately \$5.9 million of pollution remediation liabilities. The Authority recognized approximately \$3.2 million operating pollution remediation expenses and capitalized \$2.7 million under GASB 49 during fiscal year 2009.
- Effective December 1, 2008, the Authority's Board established a Customer Facility Charge ("CFC") of \$4 for each day a rental car which originated out of Logan Airport is rented. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility. During fiscal year 2009, the Authority collected \$5.2 million in CFCs.

The Authority's Condensed Statements of Revenue, Expenses and Changes in Net Assets

	(in millions)			% Change	% Change
	2009	2008	2007	From 2008	From 2007
Operating revenues:					
Fees, tolls and other services	\$ 298.4	\$ 312.3	\$ 290.7	-4.5%	2.6%
Rentals	166.0	166.4	158.8	-0.2%	4.5%
Concessions	60.8	65.4	55.8	-7.0%	9.0%
Other, including operating grants	17.6	21.4	21.5	-17.8%	-18.1%
Total operating revenues	542.8	565.5	526.8	-4.0%	3.0%
Operating expenses:					
Operations & maintenance	(278.1)	(276.5)	(255.0)	0.6%	9.1%
General & administrative	(42.1)	(46.0)	(41.9)	-8.5%	0.5%
Insurance	(7.4)	(8.5)	(10.7)	-12.9%	-30.8%
Other post-employment benefits	(16.7)	(15.9)	(5.10)	5.0%	227.5%
Payments in lieu of taxes	(18.5)	(17.1)	(16.7)	8.2%	10.8%
Depreciation and amortization	(156.7)	(162.4)	(157.6)	-3.5%	-0.6%
Total operating expenses	(519.5)	(526.4)	(487.0)	-1.3%	6.7%
Operating income	23.3	39.1	39.8	-40.4%	-41.5%
Nonoperating revenues (expenses):					
Passenger facility charges	50.1	53.7	57.5	-6.7%	-12.9%
Customer facility charges	5.2	-	-	100.0%	-
Investment income	22.6	29.9	26.8	-24.4%	-15.7%
Other income/(expense), net	7.9	4.1	1.8	92.7%	338.9%
Interest expense	(73.7)	(80.9)	(76.9)	-8.9%	-4.2%
Total nonoperating revenues (expenses)	12.1	6.8	9.2	77.9%	31.5%
Income before capital grant revenue	35.4	45.9	49.0	-22.9%	-27.8%
Capital grant revenue	43.0	41.8	10.7	2.9%	301.9%
Increase in net assets	\$ 78.4	\$ 87.7	\$ 59.7	-10.6%	31.3%

The Authority's net assets increased \$78.4 million or 5.1% during fiscal year 2009. This increase in fiscal year 2009 is slightly lower than the 6.0% increase in net assets experienced during fiscal year 2008.

The increase in net assets of \$78.4 million realized during fiscal year 2009 was the result of the recognition of \$43.0 million in capital grant revenues, generation of \$23.3 million of operating income, earnings of \$55.3 million in passenger and customer facility charge revenues, and the recognition of \$73.7 million of interest expenses on the Authority's bonds and notes during the fiscal year.

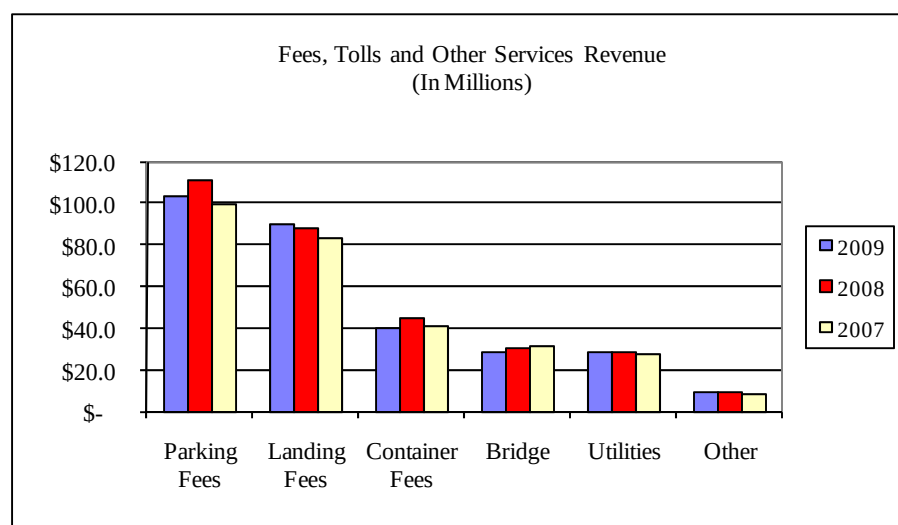
Operating Revenues

Fiscal year 2009 operating revenues for the Authority were \$542.8 million, a decrease of \$22.7 million or 4.0% from fiscal year 2008. Operating revenues of the Authority consists primarily of fees, tolls, rentals, concessions and operating grants. Fees, tolls and other services (“Fee Revenue”) are comprised essentially of parking fees, landing fees, Bridge tolls and container handling fees. Rental revenues are earned through lease agreements for building rents across the Authority’s asset base, including Logan Airport, Hanscom Field and Port Properties. Concessions revenue consists primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus and limousine services. Following is a discussion on the Authority’s major revenue classifications as depicted on the Authority’s Condensed Statement of Revenue, Expenses and Changes in Net Assets.

Fees, Tolls and Other Services

Fees, tolls and other services revenue were \$298.4 million during fiscal year 2009 compared to \$312.3 million during fiscal year 2008, which represents a decrease of \$13.9 million or 4.5%. With the exception of landing fees and utilities revenue, the Authority experienced a decline in each Fee Revenue category. The decreases in these Fee Revenue categories was essentially the result of reduced passenger and aviation activity at Logan Airport and reduced container processing at the Port during fiscal year 2009. The reduction of these activities at Logan Airport and the Port are primarily the result of the recessionary conditions domestically and internationally experienced during fiscal year 2009.

The following table is a presentation of the revenue components included in Fee Revenue by the Authority’s primary business operations.



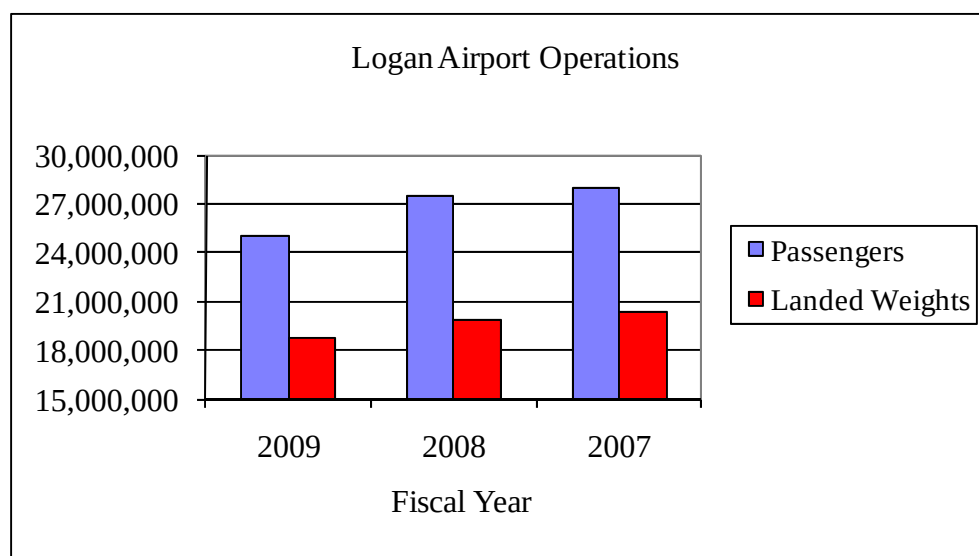
Aviation Activity. Parking fees, landing fees and utility fees comprise the majority of aviation fee revenue. During fiscal year 2009, the Authority earned approximately \$220.9 million in aviation fee revenue. This represented a decrease of 3.0% of aviation fee revenue compared to fiscal year 2008 of \$227.7 million.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined annually based on full cost recovery pursuant to an arrangement between the Authority and the respective airlines. Landing fees earned were \$89.9 million during fiscal year 2009 compared to \$88.0 million

earned during fiscal year 2008. This increase of \$1.9 million or 2.2% in landing fee revenue was the result of an increase in the Authority's landing fee from \$4.41 per thousand pounds of landed weights during fiscal year 2008 to \$4.82 per thousand pounds of landed weights during fiscal year 2009. During fiscal year 2009, landed weights assessed to the airlines were 18.7 million pounds compared to 19.9 million pounds during fiscal year 2008 representing a decline of approximately 6.1%. Furthermore, operating expenses recovered through the assessment of the landing fee decreased by \$6.7 million or 1.3% during fiscal year 2009 compared to fiscal year 2008. Collectively, these factors contributed to the changes in landing fee revenue recognized by the Authority for fiscal year 2009.

During fiscal year 2009, the Authority collected \$103.0 million in parking revenue. Parking revenue decreased approximately \$7.8 million or 7.1% during fiscal year 2009 compared to fiscal year 2008. Parking revenues declined due to lower passenger traffic at Logan Airport due to the recessionary period of fiscal year 2009. Specifically, actual commercial parking exits declined 10.0% across all of Logan Airport's facilities during fiscal year 2009 compared to fiscal year 2008.

Logan Airport experienced a decline in aviation passenger traffic during fiscal year 2009 of approximately 2.4 million fewer passengers, which represents a decline of 8.8%. Aviation passenger traffic also decreased during fiscal year 2008 by 1.8%. Specifically, Logan Airport passenger traffic was 25.0 million, 27.4 million, and 27.9 million in fiscal year 2009, 2008 and 2007, respectively. Also, Logan Airport's actual aircraft operations (take-offs and landings) by air carriers declined approximately 10.0%. Air carriers reduced capacity to lower their costs to compensate for fewer passengers using the airport during this past year's challenging economic environment.



Port Activity. Port fee revenue decreased from \$49.8 million during fiscal year 2008 to \$44.4 million during fiscal year 2009 representing a decrease of \$5.4 million or 10.9%. Terminal handling fees represent the majority of the Port's fee revenue activity. Terminal handling represents fees charged for handling containers which are loaded to or discharged from shipping vessels. During fiscal year 2009, the Port experienced a decrease of approximately 7.2% in container volume compared to fiscal year 2008. The Authority processed approximately 115,000, 124,000, and 116,000 containers during fiscal years 2009, 2008 and 2007, respectively.

Bridge Activity. During fiscal year 2009, toll revenue from the Bridge decreased 5.3% to \$28.7 million compared to fiscal year 2008 toll revenue of \$30.3 million. The decrease is the result of declines in both

passenger and commercial vehicle traffic of 4.4% and 8.0%, respectively, in fiscal year 2009 compared to fiscal year 2008. Total Bridge vehicle traffic was 10.3 million, 10.8 million, and 11.0 million during fiscal years 2009, 2008 and 2007, respectively. The Bridge toll has not increased since April 2004, and the average toll collected per paying vehicle was \$2.81 and \$2.84 for fiscal year 2009 and 2008, respectively.

Rentals

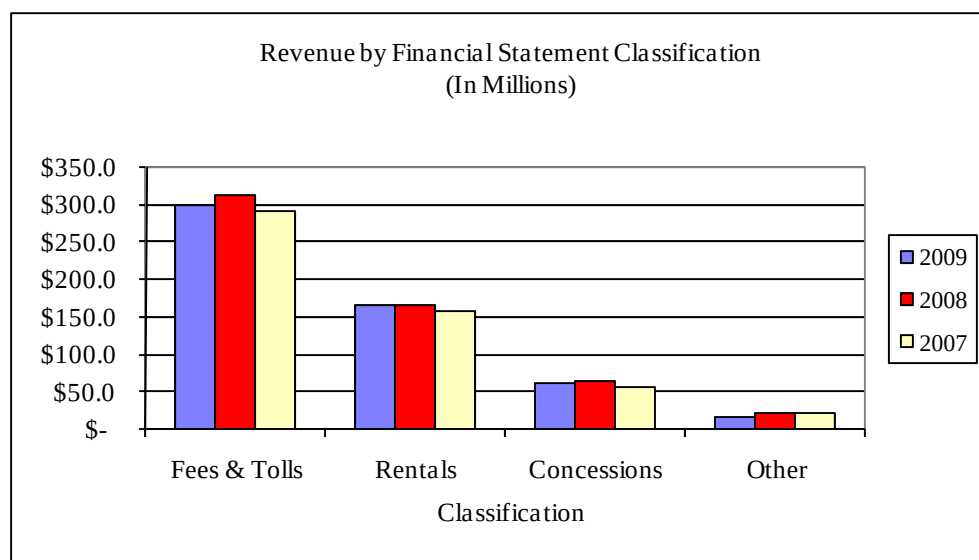
Logan Airport accounts for \$142.7 million or 86% of the \$166.0 million in total rental revenue recorded in the Authority's financial statements. Logan Airport rental revenue is earned from airlines for terminal building, cargo and hangar space occupied by air carriers on airport property.

Rental revenues from Logan Airport increased 0.3% in fiscal year 2009 compared to fiscal year 2008. The increase in Logan Airport rental revenue reflects changes in vacancy rates at the airport's facilities. In addition, the Authority collects rental revenue on Port properties and land that it owns. During fiscal year 2009, the Authority earned approximately \$14.4 million in rental revenue on Port properties which represented a decrease of approximately \$1.2 million or 7.7% lower than fiscal year 2008. Lastly, Conley Terminal and Hanscom generated \$4.9 million and \$4.0 million of rental revenue, which represents approximately 3.0% and 2.4% respectively, of total rental revenue earned in fiscal year 2009. Rental revenue from the Conley Terminal and Hanscom Field increased approximately \$0.5 million or 6.0% due to the full year effect of rate adjustments which took effect during fiscal year 2008.

Concessions

During fiscal year 2009, the Authority earned \$60.8 million in concessions revenue compared to \$65.4 million in fiscal year 2008, representing a decrease of \$4.6 million or 7.0%. Concessions revenue consists primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus and limousine services. During fiscal year 2009, the Authority earned approximately \$33.0 million in ground service fees compared to \$36.2 million in fiscal year 2008. This represented a decrease of \$3.2 million or approximately 8.8%, which was primarily the result of a 7.7% decrease in rental car revenue. Management believes rental car demand was lower in the Boston market during fiscal year 2009 as a result of weak economic conditions and fewer traveling passengers.

The following depicts the Authority's significant revenue components by financial statement classification:



Operating Expenses

Fiscal year 2009 operating expenses for the Authority were \$519.5 million, a decrease of \$6.9 million or 1.3% compared to fiscal year 2008. Approximately \$5.7 million or 82.6% of the decrease in fiscal year 2009 is due to a reduction in non-cash depreciation expense. The remaining decrease is essentially the result of reductions in the Authority's general and administrative areas by implementing certain cost containment measures, including but not limited to, employee hiring freezes, implementing new cost sharing measures on health insurance premiums and a reduction in services related to fewer airport passengers. During fiscal year 2009, management implemented a \$13.0 million cost reduction program to help compensate for the expected reduction in revenues caused by the world-wide economic recession.

Operations and Maintenance

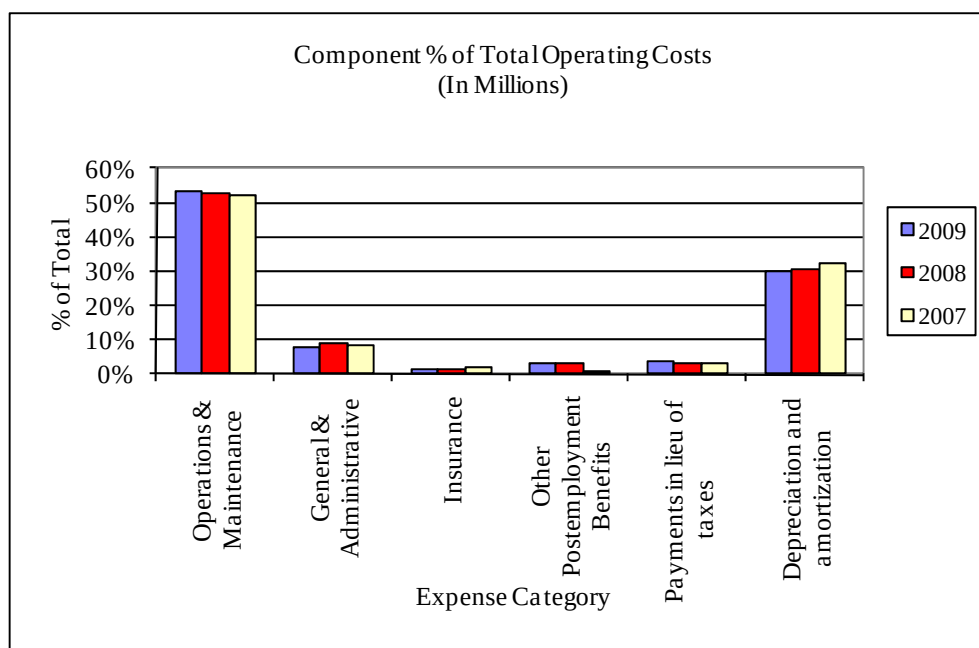
Operations and maintenance costs represent 53.5% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities including Logan Airport and Hanscom Field, the Port and the Bridge. During fiscal year 2009, the Authority incurred \$278.1 million in operations and maintenance costs, which represents an increase of \$1.6 million or 0.6% over costs incurred in fiscal year 2008. The increase is the result of continued security requirements and significant costs associated with the removal of snow and ice.

General and Administrative

During fiscal year 2009, the Authority incurred \$42.1 million in general and administrative expenses, a decrease of \$3.9 million, or 8.5% compared to fiscal year 2008. The decrease in general and administrative costs can be attributed to the \$13.0 million cost reduction program management implemented in fiscal year 2009. Specifically, the Authority controlled costs by implementing a hiring freeze, reducing certain travel costs associated with employee continued education and implementing new cost sharing measures on health insurance premiums. General and administrative expenses have remained relatively constant as a percent of total expenses of 8.1%.

Insurance

Insurance expense decreased \$1.1 million or 12.9% during fiscal year 2009 from \$8.5 million during fiscal year 2008 to \$7.4 million during fiscal year 2009. The Authority competitively bid and successfully renegotiated terms for certain insurance contracts with insurance providers that resulted in premium savings to the Authority during fiscal year 2009.



Other Post-employment Benefits

Other post-employment benefit (“OPEB”) expense increased \$0.8 million or 5.0% during fiscal year 2009 compared to fiscal year 2008. GASB 45, requires the Authority to recognize post-employment benefit expenses based on an actuarial valuation which calculates the Authority’s expected future cash flows for these benefits based on actuarial assumptions to arrive at the Authority’s Actuarial Accrued Liability (“AAL”). As of June 30, 2009, the AAL was approximately \$219.6 million. This amount is amortized into the Authority’s Statement of Revenue, Expenses and Changes in Net Assets based on a 30-year amortization period commencing June 1, 2008 as promulgated by GASB 45. As of June 30, 2009, total assets held by the Retiree Benefit Trust were \$63.9 million or 29.1% of this AAL. Please see note H of the financial statements attached hereto.

Payment in Lieu of Taxes

During fiscal year 2009, the Authority incurred \$18.5 million in statutorily required Payment-in-Lieu-of-Tax (“PILOT”) agreements with the Cities of Boston and Chelsea and the Town of Winthrop. These agreements provide long term financial assistance to the communities in recognition of the services provided and impacts endured by the communities on behalf of the Authority in addition to other considerations to maintain good working relationships with the surrounding communities. PILOT fees increased approximately 8.2% in fiscal year 2009 compared to fiscal year 2008. The current PILOT agreements have been in effect since fiscal year 2006. Please see note J in the financial statements attached hereto.

Depreciation and Amortization

Depreciation and amortization expense decreased \$5.7 million or 3.5% during fiscal year 2009 compared to fiscal year 2008. This decrease was the result of retiring several depreciated assets and placing fewer assets into service during fiscal year 2009 compared to 2008. Specifically, the Authority placed \$138.3 million of new assets into service during fiscal year 2008 compared to \$103.3 million of new assets during fiscal year 2009. Please see note D in the financial statements attached hereto.

Nonoperating Revenue and Expense

Nonoperating revenue, increased overall by \$5.3 million or 77.9% during fiscal year 2009 compared to fiscal year 2008 as a result of the following:

Customer Facility Charge Revenues

In fiscal year 2009, the Authority instituted a customer facility charge (“CFC”) of \$4 for each day a rental car which originated out of Logan Airport is rented. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility. During fiscal year 2009, the Authority collected \$5.2 million in CFCs.

Passenger Facility Charge Revenues

Passenger facility charge revenues were \$50.1 million for fiscal year 2009 compared to \$53.7 million for fiscal year 2008, representing a decrease of \$3.6 million or 6.7%. The decrease was the result of a decline 8.8% in passenger volumes. Passenger facility charge revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date. As a result, the Authority can experience increases or decreases in passenger facility charge revenues based on the timing between ticket purchase date and the actual travel date. Please see note E in the financial statements attached hereto.

Investment Income

The Authority earned \$22.6 million in investment income during fiscal year 2009. This represented a decrease of \$7.3 million or 24.4% less than fiscal year 2008. Declining interest rates contributed to the decreases in investment income during fiscal year 2009.

Other Income

Other income increased \$3.8 million or 92.7% as a result of certain settlements of claims pursued by the Authority.

Interest Expense

During fiscal year 2009, the Authority incurred \$73.7 million in interest expense compared to \$80.9 million in fiscal year 2008. The decrease of \$7.2 million or 8.9% was the result of the full year effect of lower interest rates during fiscal year 2009 on the Authority’s variable rate debt instruments, which approximates 10% of its debt portfolio. The Authority’s average interest rate was 4.7% and 4.9% during fiscal year 2009 and 2008, respectively.

Capital Grant Revenues

Capital grant revenues were \$43.0 million and \$41.8 million during fiscal year 2009 and 2008, respectively, an increase of \$1.2 million or 2.9% during fiscal year 2009 compared to fiscal year 2008. The majority of the Authority’s capital grants were awarded from the Federal Aviation Administration (“FAA”) for the Airport Improvement Program to construct runways, taxiways, apron lighting and residential sound proofing etc.

The Authority's Balance Sheets

The Balance Sheets present the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets are the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets at June 30, 2009, 2008 and 2007 is as follows:

The Authority's Condensed Balance Sheets

	(in millions)			% Change	% Change
	2009	2008	2007	From 2008	From 2007
Assets					
Current assets	\$ 331.6	\$ 378.1	\$ 383.5	-12.3%	-13.5%
Capital assets, net	2,561.8	2,523.7	2,541.9	1.5%	0.8%
Other non-current assets	545.1	488.1	396.9	11.7%	37.3%
Total Assets	\$ 3,438.5	\$ 3,389.9	\$ 3,322.3	1.4%	3.5%
Liabilities					
Current liabilities	\$ 223.5	\$ 219.1	\$ 205.6	2.0%	8.7%
Bonds payable, including current portion	1,524.3	1,586.4	1,619.1	-3.9%	-5.9%
Other non-current liabilities	73.4	45.5	46.4	61.3%	58.2%
Total Liabilities	\$ 1,821.2	\$ 1,851.0	\$ 1,871.1	-1.6%	-2.7%
Net Assets					
Invested in capital assets, net of debt	\$ 954.1	\$ 867.5	\$ 901.5	10.0%	5.8%
Restricted:					
Debt service	184.4	180.8	168.4	2.0%	9.5%
Capital projects	158.7	168.1	95.5	-5.6%	66.2%
Passenger facility charges	59.3	58.8	52.9	0.9%	12.1%
Customer facility charges	5.2	-	-	100.0%	-
Other post-employment benefits	43.7	43.8	-	-0.2%	-
Other purposes	87.1	87.7	88.3	-0.7%	-1.4%
Unrestricted	124.8	132.2	144.6	-5.6%	-13.7%
Total Net Assets	1,617.3	1,538.9	1,451.2	5.1%	11.4%
Total Liabilities and Net Assets	\$ 3,438.5	\$ 3,389.9	\$ 3,322.3	1.4%	3.5%

The Authority ended fiscal year 2009 with assets of \$3.4 billion, liabilities of \$1.8 billion and net assets of \$1.6 billion. The Authority's assets consist primarily of capital assets, which represent approximately 74.5% of the Authority's total assets as of June 30, 2009. The Authority's liabilities consist primarily of bonds payable including current portion, which account for 83.7% of total liabilities.

Cash and Investments

Cash and investments totaled \$761.2 million on June 30, 2009, an increase of \$11.0 million from the \$750.2 million as of June 30, 2008. The increase of cash and investments during fiscal year 2009 was primarily the result of 1) generating \$193.7 million in cash from operating activities, 2) the receipt of \$43.3 million in capital grant revenues, 3) the receipt of \$54.1 million in PFCs and CFCs, and 4) investment earnings of \$36.8 million offset by 1) capital acquisitions of \$169.6 million and 2) principal and interest payments on outstanding debt obligations of \$149.6 million.

The following summary shows the major sources and uses of cash during the following fiscal years:

	(in millions)		
	2009	2008	2007
Net cash provided by operating activities	\$ 193.7	\$ 215.1	\$ 208.3
Net cash used for capital and related financing activities	(219.5)	(161.2)	(198.3)
Net cash (used for)/provided by investing activities	50.5	(69.1)	106.5
Net (decrease)/increase in cash and cash equivalents	24.7	(15.2)	116.5
Cash and cash equivalents, beginning of year	212.5	227.7	111.2
Cash and cash equivalents, end of year	<u>\$ 237.2</u>	<u>\$ 212.5</u>	<u>\$ 227.7</u>

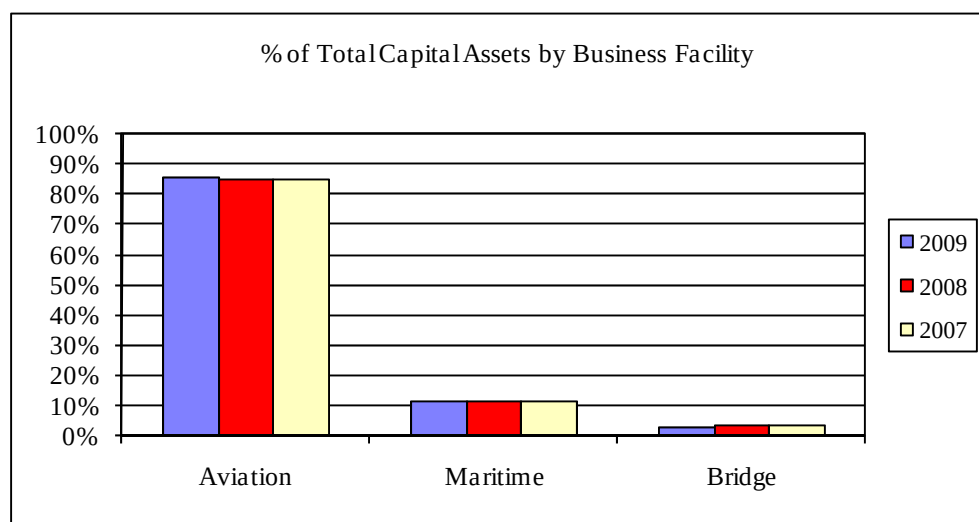
Capital Assets

As stated previously, capital assets comprise approximately 74.5% of the Authority's assets. As of June 30, 2009, the Authority had investments in facilities of approximately \$2.6 billion, which includes both completed facilities (assets in service) and construction work-in progress. During fiscal year 2009, the Authority spent approximately \$169.6 million in cash for new assets and improvements on existing assets, inclusive of construction work-in process. The Authority continues to invest in its transportation infrastructure for the benefit of its constituents. During fiscal year 2008, the Authority spent \$155.2 million in cash for capital expenditures, inclusive of construction work-in process. Please see note D in the financial statements attached hereto.

The Authority's capital assets are principally funded by the proceeds of revenue bonds, Authority-generated revenues, PFCs and capital contributions from federal grants.

Major projects representing amounts expended during fiscal year 2009 include the continued investment in the Centerfield Taxiway, the acquisition of the airport roadways, Bridge roadway redecking, relocation of the state police headquarters, acquisition of an MBTA parcel near Wood Island Station, and the mill and inlay of Runway 22L.

Following is a breakdown of capital assets by business facility:



Bonds Payable

The Authority has bonds payable outstanding of approximately \$1.5 billion as of June 30, 2009. Bonds payable decreased approximately \$62.1 million during fiscal year 2009. This decrease was the result of principal debt payments made in fiscal year 2009.

Recent Bond Issuances:

On July 1, 2008, the Authority issued \$38.0 million in Series 2008 C Bonds in order to refund portions of the 1997-C and the 1998-A Bonds. The average annual reduction in debt service for fiscal year 2009 through fiscal year 2020 is approximately \$0.2 million per year. The refunding had an economic gain and will achieve an estimated net present value savings of approximately \$1.7 million or 4.5%. The Authority's Senior Debt issued under the 1978 Trust Agreement is secured solely by the Authority's 1978 Trust Agreement Revenues, as defined by the 1978 Trust Agreement.

On June 19, 2008, the Authority issued Series 2008-A Revenue Bonds of approximately \$24.3 million and Series 2008-B Revenue Refunding Bonds of approximately \$100.9 million. The revenue bonds proceeds were used to purchase airport roadways associated with the Central Artery/Tunnel project and to repay approximately \$13.0 million in Commercial Paper borrowings. The Refunding Bonds were used to refund amounts outstanding from the Series 2003-B Revenue and Refunding Bonds, and Series 2005-B Revenue Bonds which comprised all of the Authority's outstanding auction rate securities. The Series 2008 A/B bonds were issued as variable rate debt with interest that resets weekly and are backed by a Letter of Credit from the Bank of America.

The Official Statements relating to the Authority's 2008 and 2007 Bonds are available from the Authority or by accessing the Authority's website.

Please see note F in the financial statements attached hereto.

Credit Ratings:

The Authority's revenue bonds have an underlying rate of AA by Fitch, Aa3 by Moody's and AA- by S&P. In June 2009, S&P affirmed the Authority's AA- rating while reducing the outlook from stable to negative. When the Authority issued the 2008 Bonds in June 2008, they were assigned a long-term rating of AAA, and a short-term rating of F1+, VMIG1 and A1 reflecting the Letter of Credit from the Bank of America; also, the Authority's underlying ratings of AA, Aa3 and AA- were affirmed by Fitch, Moody's and S&P, respectively. The Authority's PFC Revenue Bonds are insured by Financial Security Assurance Inc. and are rated AAA, Aaa and AAA, as insured, by each of Fitch, Moody's, and S&P, respectively. When the Authority issued the 2007 PFC Bonds in May 2007, those bonds were assigned underlying ratings of A+ by Fitch, A2 by Moody's and A by S&P, without regard to the Bond Insurance Policy. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on credit enhancement provided by the Bank of New York.

The Authority, through its 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a coverage ratio higher than its requirement. As of June 30, 2009, 2008, and 2007, the Authority's debt service coverage under the 1978 Trust Agreement was 2.10, 2.30, and 2.41, respectively. A similar debt service coverage ratio is required through the Authority's PFC Revenue Bond Trust Agreement. As of June 30, 2009, 2008, and 2007, the Authority's PFC debt service coverage under the PFC Trust Agreement was 2.08, 2.18, and 3.16, respectively.

Net Assets

Net assets, which represent the residual interest in the Authority's assets after liabilities are deducted, were \$1.6 billion as of June 30, 2009, an increase of \$78.4 million from fiscal year 2008. Those net assets invested in capital assets, net of related debt were \$954.1 million, an increase of \$86.6 million compared to fiscal year 2008. The Authority's restricted net assets of \$538.4 million as of June 30, 2009, are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the Retiree Benefits Trust or custodians in the Authority's name. The Authority's unrestricted net assets of \$124.8 million is down by 5.6% for the fiscal year, and they may be used for any lawful purpose of the Authority and have been fully committed to support the Authority's five-year capital programs. Please see note A of the financial statements attached hereto.

Contacting the Authority's Financial Management

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Who We Are". The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Massachusetts Port Authority
Balance Sheets
June 30, 2009 and 2008
(In Thousands)

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 51,315	\$ 48,650
Investments	-	9,554
Restricted cash and cash equivalents	185,876	163,871
Restricted investments	34,942	100,257
Accounts receivable – net of allowance for doubtful accounts of \$12,464 and \$11,117 as of June 30, 2009 and 2008, respectively	35,778	32,183
Accounts receivable-grants	16,478	17,303
Prepaid expenses and other assets	7,256	6,287
 Total current assets	 331,645	 378,105
 NON-CURRENT ASSETS		
Investments	116,585	112,980
Restricted investments	372,457	314,846
Prepaid expenses and other assets	19,559	21,848
Investment in joint venture	2,598	2,956
Intangible assets, net	33,924	35,467
Capital assets	4,223,293	4,035,760
Less accumulated depreciation	(1,661,518)	(1,512,062)
Capital assets, net	2,561,775	2,523,698
 Total non-current assets	 3,106,898	 3,011,795
 TOTAL ASSETS	 \$ 3,438,543	 \$ 3,389,900

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Massachusetts Port Authority
Balance Sheets, Continued
June 30, 2009 and 2008
(In Thousands)

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 83,507	\$ 63,204
Compensated absences	1,162	1,145
Other post-employment benefits	6,600	6,206
Retainage	3,517	3,537
Current maturities of bonds payable	72,647	68,095
Commercial notes payable	89,000	102,000
Accrued interest payable	34,985	37,013
Deferred income	4,754	5,959
Total current liabilities	296,172	287,159
NON-CURRENT LIABILITIES		
Accrued expenses	26,693	8,267
Compensated absences	22,071	21,748
Other post-employment benefits	12,897	3,962
Retainage	994	143
Long term bonds payable	1,451,626	1,518,313
Deferred income	10,804	11,406
Total non-current liabilities	1,525,085	1,563,839
TOTAL LIABILITIES	1,821,257	1,850,998
NET ASSETS		
Invested in capital assets, net of related debt	954,101	867,535
Restricted		
Bond funds	184,480	180,768
Project funds	158,709	168,120
Passenger facility charges	59,263	58,756
Customer facility charges	5,221	-
Other post-employment benefits	43,695	43,809
Other purposes	87,062	87,659
Total restricted	538,430	539,112
Unrestricted	124,755	132,255
TOTAL NET ASSETS	1,617,286	1,538,902
TOTAL LIABILITIES AND NET ASSETS	\$ 3,438,543	\$ 3,389,900

Massachusetts Port Authority
Statements of Revenues, Expenses and
Changes in Net Assets
For the Years Ended June 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Fees, tolls and other services	\$ 298,368	\$ 312,248
Rentals	166,016	166,424
Concessions	60,794	65,414
Other	14,533	18,509
Operating grants	3,055	2,896
Total operating revenues	<u>542,766</u>	<u>565,491</u>
Operating expenses:		
Operations and maintenance	276,071	275,824
Administration	42,022	45,495
Insurance	7,402	8,548
Pension	408	1,006
Other post-employment benefits	16,731	15,850
Payments in lieu of taxes	18,460	17,108
Provision/(Recovery) for uncollectible accounts	1,632	158
Depreciation and amortization	156,745	162,388
Total operating expenses	<u>519,471</u>	<u>526,377</u>
Operating income	<u>23,295</u>	<u>39,114</u>
Nonoperating revenues (expenses):		
Passenger facility charges	50,102	53,740
Customer facility charges	5,211	-
Investment income	22,613	29,920
Net increase in the fair value of investments	3,312	2,739
Other revenues	11,995	2,099
Settlement of claims	3,987	84
Other expenses	(11,418)	(1,027)
Gain on sale of equipment	(1)	49
Interest expense	(73,710)	(80,862)
Total nonoperating revenues (expenses)	<u>12,091</u>	<u>6,742</u>
Income before capital grant revenue	35,386	45,856
Capital grant revenue	<u>42,998</u>	<u>41,818</u>
Increase in net assets	78,384	87,674
Net assets, beginning of year	<u>1,538,902</u>	<u>1,451,228</u>
Net assets, end of year	<u><u>\$ 1,617,286</u></u>	<u><u>\$ 1,538,902</u></u>

Massachusetts Port Authority
Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from customers and operating grants	\$ 544,908	\$ 563,799
Cash payments:		
To vendors for goods and services	(205,343)	(204,071)
To employees for services	(122,864)	(121,869)
Payments in lieu of taxes	(17,660)	(17,108)
Other post-employment benefits	(5,386)	(5,682)
Net cash provided by operating activities	<u>193,655</u>	<u>215,069</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(169,617)	(155,150)
Proceeds from issuance of bonds, net	38,846	131,944
Principal and interest paid on refunded bonds	(38,889)	(99,155)
Principal paid on bonds	(60,955)	(56,700)
Interest paid	(75,628)	(79,427)
Proceeds from commercial notes payable	-	13,000
Principal paid on commercial paper	(13,000)	-
Proceeds from passenger facility charges	48,937	57,060
Proceeds from customer facility charges	5,211	-
Proceeds from Capital grants	43,338	27,054
Settlement of claims	2,134	84
Proceeds from sale of equipment	172	85
Net cash used for capital and related financing activities	<u>(219,451)</u>	<u>(161,205)</u>
Cash flows from investing activities:		
Purchases of investments	(511,123)	(779,415)
Proceeds from sales and maturities of investments	524,776	684,071
Interest earned on investments	36,813	26,300
Net cash (used for)/provided by investing activities	<u>50,466</u>	<u>(69,044)</u>
Net (decrease)/increase in cash and cash equivalents	24,670	(15,180)
Cash and cash equivalents, beginning of year	<u>212,521</u>	<u>227,701</u>
Cash and cash equivalents, end of year	<u><u>\$ 237,191</u></u>	<u><u>\$ 212,521</u></u>

(Continued on next page)

Massachusetts Port Authority
Statements of Cash Flows, Continued
For the Years Ended June 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 23,295	\$ 39,114
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	156,745	162,388
Provision for uncollectible accounts	1,632	158
Changes in assets and liabilities:		
Accounts receivable	(3,984)	1,144
Prepayments and other assets	4,077	1,795
Accounts payable and accrued expenses	3,293	2,065
Accounts payable OPEB	10,064	10,168
Accrued compensated absences	340	404
Deferred income	(1,807)	(2,167)
Total adjustments	<u>170,360</u>	<u>175,955</u>
Net cash provided by operating activities	<u><u>\$ 193,655</u></u>	<u><u>\$ 215,069</u></u>

Massachusetts Port Authority

Notes to Financial Statements

A. Summary of Significant Accounting Policies

Reporting Entity

The Massachusetts Port Authority (the “Authority”) is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) created and existing pursuant to Chapter 465 of the Acts of 1956, as amended, (the “Enabling Act”). The Authority controls, operates and manages Boston-Logan International Airport (“Logan Airport”), Laurence G. Hanscom Field, Maurice J. Tobin Memorial Bridge (“Bridge”), the Port of Boston and other facilities in the Port of Boston.

The Authority has no stockholders or equity holders, and the Authority’s financial statements are not a component of The Commonwealth’s financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (as successor to State Street Bank and Trust Company), as trustee (the “Trustee”), and the PFC Revenue Bond Trust Agreement dated May 6, 1999, as amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York, as trustee (the “PFC Trustee”), govern all funds, with limited exceptions, received by the Authority pursuant to the Enabling Act.

Basis of Accounting

The Authority’s activities are accounted in a manner similar to that often utilized in the private sector. The Authority’s financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Commencing on July 1, 1995, the Authority elected to apply all GASB and Financial Accounting Standards Board (“FASB”) pronouncements issued before November 30, 1989, under the provisions of GASB Statement No. 20. Accordingly, FASB Statements issued after FASB No. 104 are not incorporated in the Authority’s financial statements.

Revenues from airlines, rentals, parking fees, tolls and concessions are reported as operating revenues. Capital grants, financing or investing related transactions are reported as nonoperating revenues. All expenses related to operating the Authority’s facilities are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Net Assets

The Authority follows the “business type” activity requirements of GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, which requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets included the construction funds held pursuant to the 1978 Trust Agreement and the PFC Trust Agreement, as well as amounts maintained in the Retiree Benefits Trust.

Massachusetts Port Authority

Notes to Financial Statements

A. Summary of Significant Accounting Policies, continued

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Members of the Authority or may otherwise be limited by contractual agreements with outside parties.

Restricted Assets

The balance sheets caption, “Restricted Assets”, represents assets held in trust under the 1978 Trust Agreement, the PFC Trust Agreement and the Retiree Benefit Trust (“RBT”) which are earmarked to fund certain activities of the Authority such as construction of new facilities, debt service, debt service reserves and other post-employment benefits.

Cash and Cash Equivalents

The Authority considers all highly liquid investments, including Restricted Assets, with an original maturity of 30 days or less when purchased to be cash equivalents.

Investments

Investments with an original maturity of less than one year are carried at amortized cost which approximates fair value. Investments with an original maturity greater than one year are recorded at their fair value. Investments consist of U.S. Government and agency obligations, repurchase agreements collateralized by U.S. Government or agency obligations, shares in the Massachusetts Municipal Depository Trust (“MMDT”) and other investments permitted under the 1978 Trust Agreement or the PFC Trust Agreement. (See note C.)

The U.S. Treasury has issued regulations on calculating the rebate due to the U.S. Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Internal Revenue Code of 1986, as amended. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax-exempt debt in securities with higher yields. The Authority records a liability for arbitrage profits, if any, when the likelihood of payment becomes probable. The Authority recorded arbitrage rebate liability of \$12.2 million in June 30, 2009 and \$1.0 million in June 30, 2008, respectively.

Capital Assets

All capital assets are carried at cost less allowance for accumulated depreciation. Such costs include, where appropriate, capitalized interest and related legal costs. Expenditures for repairs and maintenance are charged to expense as incurred. The capitalization threshold table is shown below:

Asset Category	Capitalization Threshold
Buildings & Bridge	\$10,000
Machinery & Equipment	\$5,000
Equipment Repair/Overhaul (Major)	\$25,000
Runways, Roadways & Other Paving	\$50,000
Land	All land acquisitions are capitalized
Land Improvements	\$50,000

The Authority capitalizes certain interest costs associated with tax-exempt borrowings, less any interest earned on the investment of the proceeds of those borrowings during the period of construction. Interest expense of \$710.0 thousand and \$1.5 million, reduced by interest income

Massachusetts Port Authority

Notes to Financial Statements

A. Summary of Significant Accounting Policies, continued

of \$32.3 thousand and \$598.1 thousand, resulted in capitalized interest of \$677.7 thousand and \$873.4 thousand for the years ended June 30, 2009 and 2008, respectively.

Depreciation is calculated on the straight-line method based on the estimated useful lives of the applicable assets beginning in the fiscal year of acquisition or completion of construction. Depreciation is computed on facilities, which are recorded in the accounts of the Authority, including those financed by grants, based on the following useful lives. (See note D.)

Bridge	100 years
Bridge improvements	10 to 25 years
Buildings	25 years
Runways and other airfield paving	25 years
Roadway	25 years
Machinery and equipment	5 to 10 years

Bonds Payable Refunding

The Authority periodically refunds components of its bonds payable. When this occurs, the difference between the reacquisition price and the net carrying amount of the old bond payable is deferred and amortized as a component of interest expense over the life of the old or new bond payable, whichever is shorter. The amount deferred is reported as a deduction from bonds payable in the aggregate. (See note F.)

Bond Payable Issuance Costs

Bond issuance costs represent expenses incurred in the process of issuing bonds and are amortized over the life of the related bond, using the straight-line method which approximates the effective interest method.

Passenger Facility Charges

Revenues derived from the collection of passenger facility charges ("PFCs") are recognized on the accrual basis and reported as nonoperating revenue by the Authority. (See note E.)

Customer Facility Charges

Effective December 1, 2008, the Authority's Board established a Customer Facility Charge ("CFC") of \$4 for each day a rental car which originated out of Logan Airport is rented. The proceeds of the CFC will be used to evaluate, design and construct a consolidated rental car facility. Revenues derived from the collection of customer facility charges ("CFCs") are recognized on the accrual basis and reported as nonoperating revenue by the Authority.

Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as capital or operating grant revenues in the Statements of Revenues, Expenses and Changes in Net Assets.

Revenue Recognition

Fees, tolls and other services consist of parking fees, landing fees, Bridge tolls and container handling fees. Parking fees, container handling fees and Bridge toll revenue are recognized at the time the services are provided. Landing fees are recognized as part of operating revenue when

Massachusetts Port Authority

Notes to Financial Statements

A. Summary of Significant Accounting Policies, continued

airline related facilities are utilized. Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined and approved by the Board of Members of the Authority annually based on full cost recovery pursuant to an arrangement between the Authority and the respective airlines.

Rental and concession fees are generated from airlines, rental cars, and other commercial tenants. Rental revenue on leases is recognized over the term of the associated lease. Concession revenue is recognized partially based on self reported concession revenue by the tenants and partially based on minimum rental guarantees. These amounts are recognized as revenue as they are earned typically over the term of the lease.

Intangible Assets

Intangible assets consist of the rights to use certain parking spaces acquired by the Authority. Intangible assets are amortized on a straight-line basis over 30 years. Amortization expense related to intangible assets was approximately \$1.5 million for fiscal year 2009 and 2008, respectively.

Self-Insurance

The Authority, as mandated by the 1978 Trust Agreement, self insures certain liabilities associated with its operations. The Authority records a liability for this exposure which is included in accounts payable and accrued expenses on the balance sheets. The funds in the restricted self insurance account are intended to pay claims that are below insurance policies' deductible limits, and to be available to fund certain claims that may not be insurable on reasonable terms, if any. Investments used to fund self-insurance claims are included within Restricted Assets in the accompanying balance sheets. (See note N.)

Accounting for Compensated Absences

The Authority accrues for vacation and sick pay liabilities when they are earned by the employee. The liability for vested vacation and sick pay is reflected in the accompanying balance sheets under "compensated absences." The compensated absences earned for fiscal year 2009 were valued at \$12.4 million and those taken were valued at \$12.1 million. During fiscal year 2008, the compensated absences earned were valued at \$12.4 million and those taken were valued at \$12.0 million.

Deferred Income

Deferred income consists primarily of amounts received in advance for future rent or other services, which will be recorded as revenue on a straight-line basis over the applicable period.

Related Parties

The Authority may enter into certain transactions from time to time with business organizations that employ individuals that are also members of the Authority. The transactions are performed in accordance with the Authority's established policies and procedures, and management and the members report and monitor related party transactions in accordance with a formally adopted Conflict of Interest Policy.

Massachusetts Port Authority

Notes to Financial Statements

A. Summary of Significant Accounting Policies, continued

Other Post-Employment Benefits

The Authority adopted the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, (“GASB 45”), effective for the Authority’s fiscal year beginning July 1, 2007. Statement No. 45 requires accrual-based measurement, recognition and disclosure of OPEB expense, such as retiree medical and dental costs, over the employees’ years of service, along with the related liability, net of any plan assets.

The Authority commissioned an actuarial valuation as of June 30, 2009, which estimated its OPEB Actuarial Accrued Liability (“AAL”) to be approximately \$219.6 million, of which approximately \$63.9 million or 29.1% is funded resulting in an Unfunded Accrued Liability (“UAL”) of \$170.7 million as of June 30, 2009. (See note H.)

New Accounting Pronouncements

In December 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the Authority’s fiscal year beginning July 1, 2008. This Statement requires in certain instances the recognition of a liability related to pollution remediation programs. The statement also requires a disclosure about the pollution obligations associated with environmental clean up efforts. The Authority adopted this statement for fiscal year 2009. (See note I.)

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, effective for the Authority’s fiscal year beginning July 1, 2008. The statement requires additional pension disclosures regarding funded status. The Authority adopted this statement for fiscal year 2009. (See note G.)

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the Authority’s fiscal year beginning July 1, 2010. The statement requires the establishment of accounting and financial reporting requirements for intangible assets including easements, water rights, timber right, patents, trademarks, and computer software. The Authority is currently evaluating the effect this Statement will have on its financial statements, if any.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivatives*, effective for the Authority’s fiscal year beginning July 1, 2010. The statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority is currently evaluating the effect this Statement will have on its financial statements, if any.

In March 2009, the GASB issues Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the Authority’s fiscal year beginning July 1, 2010. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority is currently evaluating the effect this Statement will have on its financial statements, if any.

Massachusetts Port Authority

Notes to Financial Statements

A. Summary of Significant Accounting Policies, continued

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting per Applicable Trust Agreements

Under the 1978 Trust Agreement, cash revenues of the Authority are deposited daily into the Revenue Fund established pursuant to the 1978 Trust Agreement and are transferred to the cash concentration account. All such revenues are then transferred to the various funds established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the self insurance account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund, the Capital Budget Fund if applicable, and finally the Improvement and Extension Fund.

PFCs are deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Revenue Bond Trust Agreement and are utilized to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement. Any remaining funds are transferred to the PFC Capital Fund. Please see note B, Reconciliation Between Increase in Net Assets as Calculated Under GAAP and Net Revenues as Calculated Under Accounting Practices Prescribed by the 1978 Trust Agreement, below.

Financial Statement Reclassification

Certain accounts in the June 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 presentation.

Massachusetts Port Authority

Notes to Financial Statements

B. Reconciliation Between Increase in Net Assets as Calculated Under GAAP and Net Revenues as Calculated Under Accounting Practices Prescribed by the 1978 Trust Agreement

Presented below is the calculation of the net revenue of the Authority under the 1978 Trust Agreement. Net revenue calculated based on the 1978 Trust Agreement is used in determining the Authority's compliance with the debt service coverage ratio.

	<u>2009</u>	<u>2008</u>
Increase in Net Assets per GAAP	\$ 78,384	\$ 87,674
Adjustments:		
Add (1):		
Depreciation and amortization	156,745	162,388
Interest expense	73,710	80,862
Payments in-lieu of taxes	18,460	17,108
Other nonoperating expenses	11,418	1,027
Self insurance expenses	-	824
Other expenses, net	9,044	2,315
OPEB expenses, net	5,527	6,703
Less (2):		
Passenger facility charges	(50,102)	(53,740)
Customer facility charges	(5,211)	-
Capital grant revenue	(42,998)	(41,818)
Net increase in the fair value of investments	(3,312)	(2,739)
Other nonoperating revenues	(13,275)	(2,099)
Settlement of claims	(3,987)	(84)
Gain on sale of equipment	-	(49)
Investment income	(5,130)	(5,917)
Self insurance	(5,476)	-
Net Revenue per the 1978 Trust Agreement	<u>\$ 223,797</u>	<u>\$ 252,455</u>

(1) Expenses recognized under GAAP which are excluded under the 1978 Trust Agreement.

(2) Revenue recognized under GAAP which are excluded under the 1978 Trust Agreement.

Total Revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were \$558.6 million and \$589.3 million for the years ended June 30, 2009 and 2008, respectively. These amounts are based on total operating revenues per GAAP plus a portion of investment income less the provision for uncollectible accounts.

Massachusetts Port Authority

Notes to Financial Statements

C. Cash, Cash Equivalents and Investments

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement and the PFC Revenue Bond Trust Agreement along with investment policy adopted by the Members of the Authority (the "Investment Policy"). The goals of the Investment Policy are, in order of importance, to preserve capital, to provide liquidity and to generate interest income.

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2009 and 2008.

(In thousands)

2009 Cash , Cash Equivalents and Investments	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 159,363	\$ 159,363	0.003
Federal Home Loan Bank	AAA/Aaa	115,937	118,784	1.907
Federal Deposit Insurance Corporation	AAA/Aaa	115,835	116,408	2.251
Forward Delivery Agreements	AAA/Aaa	98,336	98,336	3.956
Federal Home Loan Mortgage Corp.	AAA/Aaa	72,324	72,830	2.744
State Street Money Market Fund	A-1+/P-1 (4)	54,901	54,901	0.003
Federal National Mortgage Association	AAA/Aaa	41,004	41,466	2.476
Federal Farm Credit	AAA/Aaa	36,710	37,309	2.147
Guaranteed Investment Contracts (ParkEx)	AA+/Aa2 (3)	31,227	31,227	15.314
Vanguard Index Fund	Unrated	9,025	9,025	0.003
Cash Deposits	Unrated	7,343	7,343	0.003
Certificates of Deposits	AAA/Aaa (2)	5,015	5,015	0.217
Citizens Bank Money Market	Unrated	4,474	4,474	0.003
	AAA/Aaa			
Morgan Stanley Government Fund	(4)	3,072	3,072	0.003
Municipal Bond	AAA/Aaa	1,615	1,622	0.961
		<u>\$ 756,181</u>	<u>\$ 761,175</u>	

(In thousands)

2008 Cash , Cash Equivalents and Investments	Credit Rating (1)	Cost	Fair Value	Effective Duration
Federal Home Loan Bank	AAA/Aaa	\$ 148,346	\$ 149,233	2.062
MMDT	Unrated	105,892	105,893	0.003
Forward Delivery Agreements	AAA/Aaa	97,790	97,791	4.407
Federal National Mortgage Association	AAA/Aaa	97,354	97,699	1.478
Corporate Commercial Paper	A-1+/P-1	58,903	58,902	0.044
Federal Home Loan Mortgage Corp.	AAA/Aaa	83,226	83,356	1.840
Morgan Stanley Government Fund	AAA/Aaa (4)	36,573	36,573	0.003
State Street Money Market Fund	A-1+/P-1 (4)	53,977	53,977	0.003
Cash Deposits	Unrated	12,597	12,597	0.003
Guaranteed Investment Contracts (ParkEx)	AAA/Aaa (3)	18,928	18,928	11.611
Federal Farm Credit	AAA/Aaa	25,392	25,711	1.289
Certificates of Deposits	AAA/Aaa (2)	5,016	5,016	0.335
Citizens Bank Money Market	Unrated	4,482	4,482	0.003
		<u>\$ 748,476</u>	<u>\$ 750,158</u>	

Massachusetts Port Authority

Notes to Financial Statements

C. Cash, Cash Equivalents and Investments, continued

- (1) The ratings shown in this table are from either S&P or Moody's as of June 30, 2009.
- (2) Collateralized by Federal Agency Notes, or Letter of Credit backed by each reserves.
- (3) Underlying Rating of the securities held.
- (4) Credit quality off fund holdings.

As of June 30, 2009, all investments were held on behalf of the Authority by the Trustee, the PFC Trustee or custodians in the Authority's name. Any repurchase agreements are fully collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement and the PFC Trust Agreement both require that securities collateralizing repurchase agreements must continuously have a fair value at least equal to the cost of the agreement plus accrued interest.

The Authority's investments in forward delivery agreements are in the form of a guaranteed investment contract ("GIC") which provides for, among other things, the sequential delivery of securities to be sold to the Trustee or PFC Trustee, as applicable, periodically at a discount from maturity value such that the aggregate discount equals the interest rate previously agreed to between the Authority and the provider of the guaranteed investment contract.

The total accumulative unrealized gain due to the changes in fair value of investments related to investments with maturities in excess of one year was approximately \$5.0 million and \$1.7 million as of June 30, 2009, and 2008, respectively,

a) Credit Risk

Credit risk is the risk that the Authority will be negatively impacted due to the default of the security issuer or investment counterparty.

The Authority's 1978 Trust Agreement and PFC Trust Agreement each stipulate that, in addition to U.S. Treasury and government agency obligations, only certain highly rated securities are eligible investments, including bonds or obligations of any state or political subdivision thereof rated in the two highest rating categories by both Moody's and S&P; commercial paper of a U.S. corporation or finance company or money market funds rated in the highest rating category, without regard to gradations within categories, by both Moody's and S&P; and investment contracts with banks whose long-term unsecured debt rating is in one of the two highest rating categories by both Moody's and S&P.

b) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

With respect to the Authority's credit risk and custodial risk, the Authority continually evaluates the credit ratings of its service providers, including but not limited to its insurance providers and investment portfolio managers. Based on information known to the Authority as of September 28, 2009, the Authority does not believe that it faces any material risk of loss related to the

Massachusetts Port Authority

Notes to Financial Statements

C. Cash, Cash Equivalents and Investments, continued

financial position of these service providers. The Authority will continue to monitor the credit ratings and financial position of its significant service providers.

The Authority maintains depository accounts with Bank of America, N.A., Wachovia Bank, N.A., and with the Bank of New York, the PFC Trustee. The Authority maintains payroll disbursement, lockbox and collection accounts (for other than PFCs) with the Bank of America, N.A. The Retiree Benefits Trust maintains depository accounts with the State Street Bank and Trust Company. None of these accounts are collateralized.

c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority has set targets for the preferred maturity structure for the investments held for each fund and account and also sets targets each quarter for the effective duration for each fund that reflect the need for liquidity and the expected tradeoffs between yield and term for each different fund and account. It is the Authority's policy to hold investments until maturity in order to insulate the Authority's investment earnings from interest rate risk.

d) Concentration of Credit Risk

Concentration of Credit Risk is assumed to arise when the amount of investments that the Authority has with any one issuer exceeds 5 percent of the total value of the Authority's investments. The portions of the Authority-wide portfolio, excluding the MMDT, FDIC and other U.S. Government guaranteed obligations and including the underlying securities held under forward delivery agreements, that exceed 5% of the portfolio are as follows:

<u>Issuer:</u>	<u>2009</u>	<u>2008</u>
<u>% of Portfolio</u>	<u>% of Portfolio</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	15.76%	20.23%
Federal Home Loan Mortgage Corp.	9.66%	11.30%
Federal National Mortgage Association	5.50%	13.25%

Massachusetts Port Authority

Notes to Financial Statements

C. Cash, Cash Equivalents and Investments, continued

e) Schedule of Maturities

The table below presents the Authority's cash and cash equivalents and investments based on maturity date:

In Thousands	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Securities with original maturity 1 year or over	\$ 484,048	\$ 489,042	\$ 426,144	\$ 427,826
Securities with original maturity less than 1 year	34,942	34,942	109,811	109,811
Cash and cash equivalents	237,191	237,191	212,521	212,521
	<u>\$ 756,181</u>	<u>\$ 761,175</u>	<u>\$ 748,476</u>	<u>\$ 750,158</u>

Following is a condensed supplemental schedule which identifies cash and investment balances at cost by the Authority's fund name:

(In thousands)	2009	2008
Improvement and Extension Fund	\$ 119,876	\$ 123,505
Capital Projects	115,052	111,301
Debt Service Reserve Funds under the 1978 Trust Agreement	114,355	114,733
Debt Service Funds under the 1978 Trust Agreement	78,585	74,586
Maintenance Reserve Fund	67,318	58,871
Retiree Benefits Fund	63,927	53,977
Operating/Revenue Fund	46,893	47,648
Subordinated Debt Funds	33,626	21,321
Self-Insurance Account	32,964	35,600
Debt Service Reserve Funds under the 1999 PFC Trust Agreement	30,189	30,345
Debt Service Funds under the 1999 PFC Trust Agreement	22,274	21,773
Other Funds	11,471	10,843
Other PFC Funds	8,831	11,054
2007-B & D PFC Project	5,558	6,209
Customer facility charges	5,221	-
2008-A & B Project Funds	41	10,173
Commercial Paper Repayment	-	13,002
2007-A & C Project Funds	-	3,535
	<u>\$ 756,181</u>	<u>\$ 748,476</u>

Massachusetts Port Authority

Notes to Financial Statements

D. Capital Assets

A summary of changes in capital assets, net for the fiscal year ending June 30, 2009 is as follows:

(In thousands)	Balance June 30, 2008	Additions and Transfers	Deletions and Transfers	Balance June 30, 2009
Capital Assets				
Bridge and bridge improvements	\$ 124,879	\$ 1,983	\$ (17,462)	\$ 109,400
Buildings	2,385,206	36,572	(256)	2,421,522
Runway & other paving	570,725	34,717	-	605,442
Roadway	581,891	22,163	5,000	609,054
Machinery & equipment	177,911	7,821	7,502	193,234
Capital Assets, subject to depreciation	3,840,612	103,256	(5,216)	3,938,652
Land	140,869	31,646		172,515
Construction work-in progress	54,279	161,104	(103,256)	112,127
Capital Assets	4,035,760	296,006	(108,472)	4,223,294
Less: accumulated depreciation:				
Bridge and bridge improvements	(77,923)	(4,715)	17,462	(65,176)
Buildings	(966,495)	(86,577)	(11,810)	(1,064,882)
Runway & other paving	(203,701)	(23,586)	-	(227,287)
Roadway	(160,359)	(23,800)	-	(184,159)
Machinery & equipment	(103,584)	(16,526)	95	(120,015)
Accumulated Depreciation	(1,512,062)	(155,204)	5,747	(1,661,519)
Capital Assets, net	<u>\$ 2,523,698</u>	<u>\$ 140,802</u>	<u>\$ (102,725)</u>	<u>\$ 2,561,775</u>

Total depreciation for fiscal year 2009 was \$155.2 million, a decrease of \$5.6 million from fiscal year 2008, which was \$160.8 million.

Capital assets (excluding construction in progress) at June 30, 2009 and 2008 are comprised of:

(In thousands)	2009	2008
Facilities completed by operation:		
Aviation	\$ 3,505,932	\$ 3,383,728
Bridge	129,134	144,819
Port	476,101	452,934
Capital assets (excluding construction in progress)	<u>\$ 4,111,167</u>	<u>\$ 3,981,481</u>

Massachusetts Port Authority

Notes to Financial Statements

E. Passenger Facility Charge

In 1993, the Authority received initial approval from the Federal Aviation Administration (“FAA”) to impose a \$3.00 passenger facility charge (“PFC”) at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. Effective October 1, 2005, the FAA increased the Authority’s collection authority to \$4.50. Through June 30, 2009, the Authority had collected \$618.7 million in PFCs.

On February 11, 2009, the Authority submitted a request to use PFCs for the Centerfield Taxiway Project. The FAA authorized the use of \$9,756,941 in PFCs for this project on May 14, 2009. On March 14, 2009, the Authority’s Board authorized staff to submit a new PFC application to fund various airfield, security and terminal projects at Logan Airport.

In February 1998, the Authority received approval from the FAA to increase its collections up to \$927.4 million with a projected expiration date of October 1, 2017. The Authority has also received approval from the FAA to use or expend a total of \$927.4 million for preliminary design projects as well as for the final design, construction and financing costs associated with the eligible portions of residential soundproofing, Terminal E Modernization, circulating roadways, the elevated walkways, and the International Gateway Project. On December 6, 2005, the Authority submitted an application to impose and use PFCs for additional soundproofing, for six airfield projects and for various security projects. On April 20, 2006, the FAA issued a Final Agency Decision approving the requested projects, increasing the collection authority to \$995.0 million, increasing the use authority to \$982.2 million and shortening the projected expiration date to February 1, 2016.

On May 6, 1999, the Authority entered into the PFC Trust Agreement with The Bank of New York, as trustee, simultaneously removing PFC revenues from the pledge of the 1978 Trust Agreement. All PFCs collected by the Authority are currently pledged under the PFC Trust Agreement. On June 16, 1999, the Authority issued approximately \$249.4 million of PFC Revenue Bonds, Series 1999-A and 1999-B pursuant to the PFC Trust Agreement. On May 31, 2007, the Authority issued the \$48.5 million in Series 2007-B bonds to fund PFC projects and \$65.1 million in Series 2007-D bonds to refund the 1999-A bonds. As of June 30, 2009, \$209.3 million of PFC bonds were outstanding (prior to the principal payment made on July 1, 2009) and \$224.9 million was outstanding as of June 30, 2008 (prior to the principal payment made on July 1, 2008). The Series 1999-A&B Bonds were originally backed by a pledge of the \$3.00 collections; currently the Series 1999-B bonds and the Series 2007-B&D bonds are backed by a pledge of the \$4.50 collections.

On July 29, 2005, the Authority submitted a request to amend the existing PFC authorization to increase the collection amount from \$3.00 to \$4.50, to decrease the FAA-approved amount for certain completed projects, and increase the FAA-approved amount for the International Gateway Project by 11.4%. On September 2, 2005, the FAA issued a record of decision increasing the PFC to \$4.50, effective October 1, 2005, and shortening the projected expiration date to February 1, 2011.

Massachusetts Port Authority

Notes to Financial Statements

F. Bonds and Commercial Notes Payable

The Authority's bonds payable outstanding were as follows as of June 30, 2009 and 2008:

Bonds Payable (in thousands)	Issue	Interest	Maturity	Outstanding	
	Date	Rates	Date	Bond Balance	
				2009	2008
<u>Senior Debt - 1978 Trust Agreement</u>					
Series 1997-A Revenue Bonds	07/31/97	-	2008	\$ -	\$ 3,525
Series 1997-B Revenue Bonds	08/15/97	5.0% - 5.1%	2008-2010	2,290	3,355
Series 1997-C Refunding Bonds	07/31/97	-	Refunded	-	14,780
Series 1998-A Refunding Bonds	01/29/98	4.6%-5.75%	2009-2023	80,205	104,660
Series 1998-B Refunding Bonds	01/29/98	5.0%-5.375%	2008-2018	30,215	32,165
Series 1998-C Refunding Bonds	01/29/98	6.45%	2008-2009	6,825	21,810
Series 1998-D Revenue Bonds	08/05/98	4.5%-5.0%	2008-2028	36,595	38,245
Series 1998-E Revenue Bonds	08/05/98	4.7% - 5.25%	2008-2028	71,200	73,245
Series 1999-C Revenue Bonds	11/12/99	5.0%	2008-2010	5,430	7,950
Series 1999-D Revenue Bonds	11/12/99	5.1% - 6.25%	2008-2029	63,815	65,375
Series 2003-A Revenue Bonds	05/22/03	2.5% - 5.0%	2008-2033	204,005	208,370
Series 2003-C Refunding Bonds	05/22/03	2.5% - 5.0%	2008-2018	57,600	63,825
Series 2005-A Revenue Bonds	05/05/05	3.0% - 5.0%	2008-2035	183,445	186,855
Series 2005-C Refunding Bonds	05/05/05	3.0% - 5.0%	2008-2029	230,895	231,400
Series 2007-A Revenue Bonds	05/31/07	3.625% - 4.5%	2008-2037	50,695	51,465
Series 2007-C Refunding Bonds	05/31/07	3.8% - 5.0%	2009-2027	32,125	32,125
Series 2008-A Multi-Modal Revenue Bonds	06/19/08	Variable	2009-2038	24,285	24,285
Series 2008-B Multi-Modal Revenue Refunding Bonds	06/19/08	Variable	2009-2035	100,920	100,920
Series 2008-C Refunding Bonds	07/09/08	3.0% - 5.0%	2009-2020	38,015	-
<u>Subordinate Debt - 1978 Trust Agreement</u>					
Series 2000-A, B & C Revenue Bonds	12/29/00	6.45%	2030	40,000	40,000
Series 2001-A, B & C Revenue Bonds	01/02/01	6.45%	2031	34,000	34,000
<u>Senior Debt - PFC Trust Agreement</u>					
Series 1999-B PFC Revenue Bonds	06/09/99	4.9% - 5.5%	2008-2015	99,235	111,240
Series 2007-B Revenue Bonds	05/31/07	4.0% - 5.0%	2008-2017	44,945	48,480
Series 2007-D Refunding Bonds	05/31/07	3.5% - 5.5%	2009-2017	65,130	65,130
Total Bonds Payable				1,501,870	1,563,205
Plus unamortized discount/premium, net				46,740	49,315
Less: unamortized loss on refunding				(24,337)	(26,112)
Total Bonds Payable, net				\$ 1,524,273	\$ 1,586,408
Less: current maturities of bonds payable				(72,647)	(68,095)
Non current maturities of bonds payable				\$ 1,451,626	\$ 1,518,313

The following summarizes the Authority's bonds payable activity excluding unamortized discount/premium and unamortized loss on refunding during fiscal years 2009 and 2008:

(in thousands)	2009	2008
Long term bonds payable, beginning of year	\$ 1,563,205	\$ 1,593,525
Debt issuances	38,015	125,205
Principal paid on refunded bonds payable	(38,395)	(98,825)
Principal paid on bonds payable	(60,955)	(56,700)
Long term bonds payable, end of year	<u>\$ 1,501,870</u>	<u>\$ 1,563,205</u>

Massachusetts Port Authority

Notes to Financial Statements

F. Bonds and Commercial Notes Payable, continued

The following summarizes the bonds payable maturities and sinking fund requirements excluding unamortized discount/premium and unamortized loss on refunding utilizing interest rates in effect as of June 30, 2009.

Due Fiscal Year	(in thousands)		Total Debt Service
	Principal	Interest	
2010	\$ 67,320	\$ 71,324	\$ 138,644
2011	71,245	68,363	139,608
2012	74,555	65,019	139,574
2013	78,840	61,458	140,298
2014	64,615	57,585	122,200
2015 - 2019	358,350	238,110	596,460
2020 - 2024	203,390	166,996	370,386
2025 - 2029	275,940	106,187	382,127
2030 - 2034	211,035	41,552	252,587
2035 - 2039	96,580	3,406	99,986
Total	<u>\$ 1,501,870</u>	<u>\$ 880,000</u>	<u>\$ 2,381,870</u>

Senior Debt - 1978 Trust Agreement: On July 1, 2008, the Authority issued \$38.0 million of Revenue Refunding Bonds, Series 2008-C (the "Series 2008-C Bonds") to refund portions of the Authority's Series 1997-C and Series 1998-A Bonds. These bonds are fixed rate, uninsured revenue bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$2.5 million. This refunding had an economic gain and will achieve an estimated net present value savings of approximately \$1.7 million or 4.5%.

On June 19, 2008, the Authority issued \$24.3 million in Series 2008-A Bonds that were not subject to the Alternative Minimum Tax regulations under the Internal Revenue Code ("AMT") in order to repay \$13.0 million of the Series 2003-A commercial paper program and to fund projects in the Authority's capital plan. The Authority also issued \$100.9 million in Series 2008-B Bonds that were subject to the AMT in order to refinance the Series 2003-B and the 2005-B Bonds that represented all of the Authority's outstanding auction rate paper. While the Series 2003-B bonds had been insured by MBIA Insurance Corporation and the Series 2005-B bonds had been insured by Ambac Assurance Corporation, the 2008 Bonds are not insured. All of the 2008-A/B Bonds were issued at par as weekly, variable rate demand notes, and are backed by a Letter of Credit from the Bank of America, which expires June 27, 2011.

On May 31, 2007, the Authority issued the Series 2007-A Revenue Bonds and 2007-C Refunding Bonds (the 2007 Bonds) in the aggregate principal amount of approximately \$83.6 million with a net original issue premium of approximately \$0.8 million. The 2007-A Bonds were issued to finance a portion of the Authority's capital programs. The 2007-C Bonds were issued to refund a portion of the Authority's Revenue Bonds, Series 1997-B. These bonds are fixed rate revenue bonds, which are insured by Financial Security Assurance, Inc. This refunding resulted in the recognition of an accounting loss of approximately \$1.2 million, which is being amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and

Massachusetts Port Authority

Notes to Financial Statements

F. Bonds and Commercial Notes Payable, continued

the refunding debt service was \$2.8 million. This refunding had an economic gain and will achieve an estimated net present value savings of approximately \$1.9 million or 6%. The Authority's bonds are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement.

Subordinate Debt – 1978 Trust Agreement: Subordinated debt is payable solely from funds on deposit in the Improvement and Extension Fund (see note C) and is not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The Authority has invested \$12.0 million which at maturity will provide for the \$74.0 million principal payments of the subordinate debt at their respective maturities. As of June 30, 2009, the value of the two Guaranteed Investment Contracts ("GICs") was approximately \$31.2 million as compared to \$18.9 million as of June 30, 2008. The significant increase in value realized during fiscal year 2009 was due to the termination and rebidding of the original GICs. Credit downgrades of the holders of the GICs resulted in the terminations. During fiscal year 2009, the Authority received termination payments of approximately \$12.0 million which is included in other nonoperating revenues in the Statement of Revenues, Expenses and Changes in Net Assets. These payments were deposited with replacement GICs in order to fund the subordinated debt at their respective maturities based on current investment yields. In addition as a result of the termination payments the Authority recorded an arbitrage rebate liability of \$11.4 million which is included in other nonoperating expenses in the Statement of Revenues, Expenses and Changes in Net Assets.

Senior Debt - PFC Trust Agreement: On May 31, 2007, the Authority issued \$48.5 million in PFC Revenue Bonds, Series 2007-B with an original issue premium of approximately \$0.6 million in order to fund the PFC eligible portions of various airfield projects, and the Authority also issued \$65.1 million in PFC Revenue Refunding Bonds Series 2007-D with an original issue premium of approximately \$5.5 million to refund all of the 1999-A bonds. The current refunding resulted in the recognition of an accounting loss of \$3.1 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$3.9 million. This refunding had an economic gain and achieved a net present value savings of \$2.8 million or 4.17%. The annual savings for fiscal year 2007 through fiscal year 2027 are approximately \$0.4 million. All of the Authority's outstanding PFC debt is now backed by a pledge of the \$4.50 PFC collections. The Authority earned Net PFC Revenues as defined by the PFC Revenue Bond Trust Agreement of approximately \$50.7 million and \$54.7 million during fiscal years 2009 and 2008, respectively. These amounts include approximately \$0.6 million and \$1.0 million of investment income on PFC receipts during fiscal years 2009 and 2008, respectively.

Defeased Bonds: In prior years, the Authority has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the trustee for such bonds to provide for all future debt service payments on the defeased bonds. Accordingly, the trust fund assets and the liability for the defeased bonds are not included in the Authority's Financial Statements. The total defeased bonds to date approximate \$255.3 million.

Special Facility Bonds: To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued nine series of special facilities revenue bonds. The Authority's special facilities revenue bonds are all special limited obligations of the Authority, and are payable solely from and secured solely by certain revenues of a separate trustee. The Authority's special facilities revenue bonds do not constitute a debt or pledge of the full faith and

Massachusetts Port Authority

Notes to Financial Statements

F. Bonds and Commercial Notes Payable, continued

credit of the Authority or the Commonwealth or any subdivision thereof and, accordingly, have not been reflected in the accompanying financial statements. As of June 30, 2009, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately \$713.2 million.

Approximately \$497.6 million of the Authority's special facility bonds relate to the Delta Airlines Series 2001 A, B and C bonds issued in connection with Delta Airlines construction of Terminal A. During September of 2005, Delta Airlines entered into bankruptcy and as of April of 2007 re-emerged out of bankruptcy. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt. The Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the Bankruptcy Court and was effective as of July 1, 2006.

Commercial Notes Payable: The Authority's Commercial notes payable as of June 30, 2009 and 2008 were as follows:

(in thousands)	<u>2009</u>	<u>2008</u>
Commercial paper notes, beginning of year	\$ 102,000	\$ 89,000
Principal paid on commercial paper notes	<u>(13,000)</u>	<u>13,000</u>
Commercial paper notes, end of year	<u>\$ 89,000</u>	<u>\$ 102,000</u>

Commercial notes payable have been issued under the terms of the 1978 Trust Agreement and are backed by the proceeds of the improvement and extension fund or anticipated bond funds. In fiscal year 2008, the Authority issued \$13.0 million of commercial paper to fund the acquisition of airport roadways. This \$13.0 million was re-paid in July 2008. The remaining proceeds of commercial notes payable have been used to fund PFC eligible projects; therefore, the Authority anticipates that PFC revenues will be the source of the cash to pay such redemptions. The Authority does not expect to make any additional principal payments on the existing commercial notes payable, which are 2003 Series A and B through fiscal year 2010. The blended interest rate on Series 2003-A was 1.09% and Series 2003-B was 2.21% during fiscal year 2009.

On May 1, 2007, the Authority amended its commercial notes payable program and increased the allowable maximum principal amount outstanding at any time to an aggregate principal amount not to exceed \$150.0 million, and entered into a new Letter of Credit Agreement with the Bank of New York for a five-year term.

During fiscal year 2009 and fiscal year 2008, the Authority did not participate in any Interest Rate Swaps.

Massachusetts Port Authority Notes to Financial Statements

G. Pension Costs

In July 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 ("C.487"). This act provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the "Plan"). Prior to this enactment, Authority employees were members of the Massachusetts State Employees' Retirement System, and the funding of the pension liability was on a "pay as you go" method. Pursuant to C.487, the employees' rights and benefits under the state plan were transferred to the new system, and the Authority established a separate pension fund. The Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Plan is a contributory single employer defined benefit plan to which the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan participants. The Plan issues a stand-alone financial report which can be obtained by writing to:

Massachusetts Port Authority Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, MA 02128-2909

At January 1, 2009, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	566
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Current members:	
Active	1,192
Inactive	<u>64</u>
Total	1,256

Benefits are paid by the Plan from net assets available for Plan benefits. Plan participants are entitled, at normal retirement age, to benefit payments based upon length of service and earnings levels. Vesting occurs after ten years of service. Optional payment methods may be elected, including the contingent annuitant method which provides for reduced payments during the life of the Plan participant and continued payments to the participant's beneficiary after the death of the participant.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was approximately \$85.9 million as of January 1, 2009 and \$81.1 million as of January 1, 2008. The actuarial cost method utilized to determine contributions for the year ended December 31, 2008 is the Frozen-Entry-Age Actuarial Cost Method Plan. The more significant actuarial assumptions underlying the actuarial computations for the Plan year ended December 31, 2008 are as follows:

Massachusetts Port Authority

Notes to Financial Statements

G. Pension Costs, continued

Assumed rate of return on investments	-	7.75% per annum compounded annually
Nondisabled life mortality basis	-	The RP-2000 Mortality Table
Withdrawal prior to retirement	-	The rates shown at the following sample ages illustrate the withdrawal assumption

		Rate of Withdrawal			
<u>Age</u>		<u>Group 1 and 2</u>		<u>Group 4</u>	
25		9.0%		1.9%	
30		5.6		1.7	
35		3.2		1.3	
40		2.3		0.6	
45		1.8		0.04	
50		1.5		N/A	
55		N/A		N/A	
Salary escalation	-	5.0% per annum			
Rate of Inflation	-	3.0% per annum			
Rates of retirement	-	<u>Age</u>	<u>Groups 1*</u>	<u>Group 2*</u>	<u>Group 4*</u>
Group 1 and 2 employees are assumed to retire at the following rates upon attainment of 10 years of service.		50	N/A	N/A	5%
		51	N/A	N/A	5
		52	N/A	N/A	5
		53	N/A	N/A	5
		54	N/A	N/A	5
		55	9%	9%	35
		56	3	3	15
		57	5	5	15
		58	2	2	15
		59	6	6	15
		60	6	6	15
		61	8	8	15
		62	11	11	15
		63	14	14	15
		64	13	13	15
		65	35	100	100
	66	35	N/A	N/A	
	67	35	N/A	N/A	
	68	35	N/A	N/A	
	69	35	N/A	N/A	
	70	100	N/A	N/A	

Group 1 and 2 employees are assumed to retire at the following rates upon attainment of 10 years of service.

*Groups 1, 2 and 4 are assigned based on employee class.

Massachusetts Port Authority

Notes to Financial Statements

G. Pension Costs, continued

Retirement benefits	-	Depending on age at retirement and "Group" classification, 0.1%-2.5% per year of service times highest three-year average salary.
Post retirement cost of living increases	-	3% per annum compounded annually on the first \$12,000 of pension benefits.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. The Plan also amortizes the unfunded actuarial accrued liabilities in level amounts at 7.75% over a period of 20 years on a closed basis. The actuarial value of assets is determined using fair values (adjusted by payables and receivables) adjusted to phase in investment gains or losses above or below the expected rate of investment return. A five-year rolling period is used.

Total contributions to the Plan were approximately \$8.5 million for the plan year ended December 31, 2008. This includes employee contributions of \$8.1 million, which are based upon a percentage of employee base pay (5% for employees hired before January 1, 1975; 7% for employees hired between January 1, 1975 and January 1, 1984; 8% for employees hired after January 1, 1984 but prior to July 1, 1996; and 9% for employees hired after July 1, 1996; and, effective January 1, 1998, an additional 2% of base pay over \$30,000 for those employees hired after December 31, 1978), and the Authority's contribution of \$0.4 million to the Plan for the year ended December 31, 2008. Authority contributions are determined each year in accordance with an annual actuarial valuation performed for the Plan's fiscal year beginning January 1.

As presented in the following table, the Frozen Entry Age Actuarial Method for calculating the schedule of funding progress is the methodology required by the Plan under its charter.

Schedule of Funding Progress (in thousands):

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
		Actuarial	Unfunded			
Actuarial	Actuarial	accrued	actuarial	Funded	Covered	UAAL as a
valuation	value of	liability	liability	ratio	payroll	percent of
date	assets	("AAL")	("UAAL")			covered
						payroll
1/1/08	\$396,930	\$387,223	(\$9,707)	102.5%	\$81,120	(12.0%)
1/1/07	368,346	357,507	(10,839)	103.0%	76,835	(14.1%)
1/1/06	327,714	317,033	(10,681)	103.4%	73,514	(14.5%)
1/1/05	304,427	293,550	(10,877)	103.7%	71,030	(15.3%)
1/1/04	293,743	282,683	(11,060)	103.9%	64,522	(17.1%)

Analysis of the dollar amounts of actuarial value of assets, AAL and UAAL, in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over

Massachusetts Port Authority

Notes to Financial Statements

G. Pension Costs, continued

time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in assets in excess of AAL and annual covered payroll are both affected by inflation. Expressing the AAL in excess of assets as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due.

Schedule of Employer Contributions **(in thousands)**

Calendar Year ended December 31	Annual required employer contributions (ARC)	Employer contributions as a percent of ARC
2008	\$401	100%
2007	1,006	100%
2006	3,149	100%
2005	3,729	100%
2004	2,150	100%

The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation

Plan investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. Mutual funds and commingled funds, including real estate, are valued based on net asset value at year-end. Limited partnerships are valued using the valuations reported by the general partner.

Certain operating expenses incurred by the Plan are funded by investment earnings of the fund's assets. Investment management fees, consulting fees and custodial fees for the Plan are reflected as deductions to investment income.

H. Other Post-employment Benefits (OPEB)

Plan Description. In April 1981, the Authority adopted a retiree benefit plan whereby the Authority assumes the full cost of group health insurance including basic life insurance, dental insurance and catastrophic illness coverage to those retirees and surviving spouses who have retired under the Authority's retirement system (collectively referred to as the "OPEB Plan").

In June 2008, the Authority created the Retiree Benefits Trust ("RBT"), an irrevocable trust to fund its OPEB Plan obligations. In no event shall any part of the principal or income of the RBT be paid or revert back to the Authority or be used for any purpose whatsoever other than for the exclusive benefit of retirees and their beneficiaries as defined by the Authority's Board. No part of the assets of the RBT may inure to the exclusive benefit of any retiree or beneficiary other

Massachusetts Port Authority

Notes to Financial Statements

H. Other Post-employment Benefits (OPEB), continued

than by benefit payments of for services provided to the Trustee in administration of the RBT.

In June 2009, the Board voted to sustain this benefit for all current retirees and for all employees who vested before October 1, 2009. The Board reduced the benefit, on a sliding scale relating to years of service, for those future retirees who will vest on or after October 1, 2009.

Benefit Provisions. The OPEB Plan is a single-employer plan and offers retirees, as defined above, a choice of medical plans, as well as two dental plans, and basic life insurance. The medical plans are either HMOs, PPOs or indemnity plans, and some are designed to work with Medicare benefits, such a Medicare supplement or Medicare HMO plans. The basic life insurance provides a \$5,000 death benefit to the retiree. Spouses and dependants are not eligible for this death benefit upon their death.

As June 30, 2009, the OPEB Plan's membership consisted of:

• Actives	
- Pre-Medicare Coverage	212
- Post-Medicare Coverage	<u>964</u>
Total	1,176
• Inactive vested members	66
• Retired, Disabled, Survivors and Beneficiaries (Including Spouses)	644

Summary of Significant Accounting Policies

Basis of Presentation

The Authority established an RBT fund in connection with the adoption of GASB 45, and this fund is consolidated into the Authority's financial statements in accordance with the principles and reporting guidelines set forth by the GASB. Assets and liabilities are recorded using the accrual basis of accounting. Assets consist primarily of cash and investments and are accounted for in accordance with the previously disclosed investment accounting policy. Liabilities of the fund include accounts payable, which represent amounts due to insurance providers for premiums and accrued investment management and administrative fees, if any, and the Actuarial Accrued Liability ("AAL") for all future retiree benefits. The fund measures its results of operations, which includes primarily, investment earnings, insurance and benefit expenses, including amortization of the actuarial accrued liability, and investment management and administrative expenses.

Funding Policy and Contributions

During fiscal year 2009, the Authority contributed approximately \$16.2 million into the RBT. Previously, the Authority discharged its premium obligations on a pay-as-you-go basis. Currently, retirees do not contribute to the Retiree Benefits Trust. During fiscal year 2009, the Authority paid \$6.1 million for retiree benefits.

Massachusetts Port Authority

Notes to Financial Statements

H. Other Post-employment Benefits (OPEB), continued

OPEB Actuarial Valuation

The Authority's OPEB Plan actuarial valuation was conducted by an independent third party as of June 30, 2009. The valuation was performed in accordance with GASB statements No. 43 and 45 requirements at the request of the Authority to satisfy its financial statement reporting guidelines to the sponsoring employers that administer this type of benefit programs through the creation of the RBT. The reporting guidelines were intended to improve cost disclosures, and do not require any funding arrangements. The valuation will be conducted at least every two years, and therefore the Authority will obtain a valuation effective as of June 30, 2011.

Funding Status and Funding Progress (in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percent of covered payroll
06/30/2009	\$ 48,931	\$ 219,619	\$ 170,688	22.3%	\$ 95,749	178.3%
07/01/2006	\$ -	\$ 167,521	\$ 167,521	0.0%	\$ 87,630	191.2%

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), as actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover its normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual RBT cost and change in net RBT assets as of June 30, 2009, and 2008 (in thousands):

	2009	2008
Annual required contribution (ARC)	\$ 17,263	\$ 15,763
Interest on net OPEB obligation	(3,401)	-
Adjustment to annual required contribution	2,437	75
Annual OPEB cost (expense), net	<u>16,299</u>	<u>15,838</u>
Contributions made :		
Current premiums on pay-as-you-go basis	-	5,583
Contributions to RBT	<u>16,185</u>	<u>54,064</u>
Total contributions made	16,185	59,647
Increase (decrease) in net RBT obligation	(114)	43,809
Net OPEB assets (obligation) - beginning of year	<u>43,809</u>	<u>-</u>
Net OPEB assets (obligation) - end of year	<u><u>\$ 43,695</u></u>	<u><u>\$ 43,809</u></u>

The RBT funding contributions represented 93.8% and 343.0% of the ARC for the fiscal years ended June 30, 2009 and 2008, respectively.

Massachusetts Port Authority

Notes to Financial Statements

H. Other Post-employment Benefits (OPEB), continued

Disclosure of Information about Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial assumptions are based on the benefits provided under the terms of the OPEB Plan as approved by the Authority's Board in effect at the time of each valuation and on the pattern of cost sharing between the employer and participants at that point, if any.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions

Amortization Method	- Level % of Projected Payroll
Actuarial Cost Method	- Projected Unit Credit Cost Method
Actuarial Asset Valuation Method	- Market value of assets as of valuation date adjusted for payables and receivables.
Interest Rate/Discount Rate	- 7.75% per year net of investment expenses for funded program; - 4.25% per year net of investment expenses for an unfunded program.
Amortization Period	- A 30-year closed amortization schedule commencing fiscal year 2008.

Health Care Cost Trend Rates:

Year	Commercial Indemnity	Commercial Managed Care	Medicare Indemnity	Medicare Managed Care	Dental
2010	11.0%	10.0%	10.0%	9.0%	8.0%
2011	10.0%	9.0%	9.0%	8.0%	7.0%
2012	9.5%	8.5%	8.5%	7.5%	6.0%
2013	9.0%	8.0%	8.0%	7.0%	5.5%
2014	8.5%	7.5%	7.5%	6.5%	5.0%
2015	8.0%	7.0%	7.0%	6.0%	5.0%
2016	7.5%	6.5%	6.5%	5.5%	5.0%
2017	7.0%	6.0%	6.0%	5.0%	5.0%
2018	6.5%	5.5%	6.0%	5.0%	5.0%
2019+	6.0%	5.0%	6.0%	5.0%	5.0%

Massachusetts Port Authority

Notes to Financial Statements

I. Contingent Liabilities and Commitments

Contractual Obligations for Construction

Contractual obligations for construction were \$197.6 million and \$184.2 million as of June 30, 2009 and 2008, respectively.

Transportation Reform Act

In June 2009, Chapters 25 and 26 of the Acts of 2009 (collectively, the “Transportation Reform Act”) were enacted and provide for the establishment of the Massachusetts Department of Transportation (“MassDOT”). MassDOT will be established on November 1, 2009 and will include the currently existing Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. The Transportation Reform Act affects the Authority in two major ways: first, the Authority will transfer without consideration the Tobin Bridge to the MassDOT on January 1, 2010; and second, Worcester Regional Airport will be transferred to the Authority. See further discussion within Worcester Airport section of this note.

Third Harbor Tunnel

The Massachusetts Highway Department (“MHD”) undertook a depression of a portion of I-93 in downtown Boston (“Central Artery”) and the extension of the eastern terminus of I-90 to the Airport by construction of a new tunnel under Boston Harbor (the “Ted Williams Tunnel”), (collectively, the “CA/T Project”).

In March 1999, the Authority, MHD and the Massachusetts Turnpike Authority (“MTA”) entered into a Roadway Transfer Agreement, which was supplemented and amended on October 27, 1999 and January 29, 2001, that provides for the acquisition by the Authority of certain identified segments of the CA/T Project located at Logan Airport following completion of construction of such segments, in exchange for installment payments by the Authority to the Commonwealth totaling an aggregate of \$365.0 million. The Authority made payments totaling \$352.6 million through June 30, 2008. Since then, the Authority has paid the remaining \$12.4 million balance to the Commonwealth: \$10.4 million was paid in July 2008, and the remaining \$2.0 million was paid in May 2009 completing the agreed upon payments. The Authority acquired title to a portion of the segments noted above on June 30, 2009, and will acquire title to the remaining segments upon MTA’s completion of certain obligations under the Roadway Transfer Agreement.

Worcester Airport

On April 15, 1999, the Authority entered into a Memorandum of Understanding (“M.O.U.”) with the City of Worcester, Massachusetts and the Worcester Airport Commission (the “City Parties”). The M.O.U. contemplates the takeover of the Worcester Regional Airport by the Authority in two separate phases. In compliance with Phase One, on January 15, 2000, the Authority assumed operating responsibility for Worcester Regional Airport pursuant to a separate Operating Agreement (the “OA”).

The terms of the OA provided for the allocation of the net operating deficits for Worcester Regional Airport between the Authority and the City of Worcester, with the Authority assuming 100% of those net operating deficits during fiscal years 2005 and 2004. The OA was amended in 2004 to extend the term of the OA through June 30, 2007, and to allocate to the Authority responsibility for the following percentages of Worcester Regional Airport’s operating deficit: for fiscal year 2005, 100%; for fiscal year 2006, 85%; for fiscal year 2007, 68%.

Massachusetts Port Authority

Notes to Financial Statements

I. Contingent Liabilities and Commitments, continued

On May 15, 2008, the Authority's Board approved an amendment to the OA whereby the Authority would be responsible for 79% of the Worcester Regional Airport's operating deficit for the period July 1, 2007, through December 31, 2008. On November 20, 2008, the Authority's Board approved a further amendment to the OA whereby the term was extended through December 31, 2010 and the Authority would continue to pay 79% of the Worcester Regional Airport's operating deficit for the additional period. The Authority has recorded an accrued liability for the projected deficit through December 31, 2010 of the Worcester Regional Airport in its fiscal year 2009 financial statements. The Authority's portion of Worcester Regional Airport's actual deficit for fiscal year 2009 was approximately \$1.8 million.

Phase Two contemplated the transfer of title of Worcester Regional Airport from the City Parties to the Authority. The Transportation Reform Act provides for the transfer of title of Worcester Regional Airport from the City Parties to the Authority by July 1, 2011 for "fair compensation" which may be paid in installments and which may consider the actual amount of any expenditures, subsidies and operational costs assumed or provided to date by the Authority to or for Worcester Regional Airport. The Authority's goal is to develop a more effective and efficient regional airport network by increasing utilization of Worcester Regional Airport in conjunction with ongoing operation of its other airport facilities.

Seaport Bond Bill

The Seaport Bond Bill was enacted in 1996 and among other things, provides for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston Yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provides up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston Yard in Boston permitting double stack shipments. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads. The Authority believes that the likelihood that any such Master Agreement will be executed and Authority funds committed for double stack improvements within the next fiscal year is remote.

During fiscal year 2007, the Authority received as an agent \$5.0 million from the Commonwealth of Massachusetts through the Department of Conservation and Recreation ("DCR") to fund a dredging project within Boston Harbor. The amount received from the Commonwealth of Massachusetts was recorded in restricted cash and accrued expenses as of June 30, 2007. During fiscal year 2008, these funds were paid to the escrow agent as required by the applicable agreements between the Authority and DCR. The Authority has no amounts reflected on its balance sheet related to these escrowed funds as of June 30, 2009.

Massachusetts Port Authority

Notes to Financial Statements

J. Payments in Lieu of Taxes

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the “PILOT Agreements”) to make annual payments in lieu of taxes to Boston, Chelsea, and Winthrop.

In fiscal year 1992, the Authority’s obligation to the City of Chelsea for annual in-lieu-of-tax payments through 2012 was satisfied by a payment of \$5.0 million. The Authority and Chelsea amended their PILOT Agreement in fiscal year 1999 to provide for annual payments by the Authority to Chelsea of \$0.5 million for each of the fiscal years 1999 through 2003, inclusive. In fiscal year 2006, this amendment was extended through fiscal year 2010 with annual payments increasing to \$0.6 million commencing in fiscal year 2006.

In fiscal year 2006, the Authority and the Town of Winthrop entered into an Amended and Restated Payment-In-Lieu-Of-Taxes Agreement (the “Amended Winthrop PILOT Agreement”) which extended the base in-lieu-of-tax payments through fiscal year 2025. The Amended Winthrop PILOT Agreement provides for the Authority to pay an annual payment of \$0.9 million, provided that the annual payment will be adjusted in fiscal year 2016 through 2025 if the average annual percentage change in the consumer price index in fiscal year 2006 through 2015 is less than 2% or more than 8%.

In fiscal year 2006, the Authority and the City of Boston agreed to amend the existing payment-in-lieu-of-taxes agreement with the City of Boston, (the “Boston PILOT Agreement”) effective July 1, 2005. Pursuant to the amended Boston PILOT Agreement (the “Amended Boston PILOT Agreement”), the term of the Boston PILOT Agreement was extended to June 30, 2015 subject to mutual rights to terminate the Amended PILOT Agreement each year after July 1, 2010. In fiscal year 2006, pursuant to the Amended Boston PILOT Agreement, the Authority paid to the City of Boston 1) a one-time payment of \$3.5 million representing the sum withheld by the Authority from the City of Boston from the PILOT payments due with respect to fiscal year 2002 due to the Authority’s financial recovery plan as a result of the events of September 11, 2001 and 2) an annual base amount (the “Base Amount”) of \$14.0 million. After July 1, 2007, the Amended Boston PILOT Agreement provides that the Authority shall make the following fiscal year payments: 1) the Base Amount which, commencing in fiscal year 2007, increases annually by the annual percentage change in the consumer price index, provided that such increase shall be no less than 2%, nor greater than 8%, per year, and 2) commencing with fiscal year 2007 for ten (10) years, an amount of \$0.7 million which shall not be increased or adjusted.

The Authority’s Enabling Act, the 1978 Trust Agreement and the PILOT Agreements provide that annual payments under the PILOT Agreements may not exceed the balance of revenues remaining after deposits to the payment of operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

K. Litigation

The Authority is engaged in routine litigation as well as litigation involving the terrorist attacks of September 11, 2001.

Events of September 11, 2001

On September 11, 2001, terrorists hijacked American Airlines flight 11 and United Airlines flight 175 and flew them into the World Trade Center in New York, N.Y. The terrorist acts caused the

Massachusetts Port Authority

Notes to Financial Statements

K. Litigation, continued

deaths of approximately 3,000 persons, unknown numbers of personal injuries, and massive property damage. Both flights originated at Logan Airport.

In September 2001, Congress passed the Air Transportation Safety and System Stabilization Act of 2001, which provides, among other things, that victims who suffered physical injury or death as a result of the events of September 11, 2001 ("9/11") could file a claim with a newly created Victim Compensation Fund (the "Fund"). Those who sought such compensation waived the right to file a civil lawsuit. The Fund does not apply to claims for property damage, business interruption, or the like. Approximately 98% of claimants eligible for compensation from the Fund filed a claim with the Fund.

In November 2001, Congress passed the Aviation and Transportation Security Act ("ATSA"). The Act provides a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of 9/11. Specifically, the liability of an airport sponsor for those events "shall not be in an amount greater than the limits of liability insurance coverage maintained by that . . . airport sponsor". The Authority has insurance in effect to cover these incidents in the amount of \$500.0 million per occurrence and consequently, under ATSA the Authority's liability, if any, would be limited to such amounts. To the Authority's knowledge, the Authority's insurer has received copies of all complaints and Notices of Claim and/or any other form of notification to the Authority by an individual or entity claiming to have suffered a loss.

Furthermore, to the Authority's knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims although the insurer has reserved its rights with respect to (i) the number of occurrences, (ii) indemnification of the Authority against any award of punitive damages, and (iii) the Authority's rights as a named additional insured under other policies of insurance, including policies of the Authority's tenants and licensees.

As of September 28, 2009, there were two wrongful death lawsuits and nineteen property damage lawsuits naming the Authority and other defendants. A number of other wrongful death lawsuits against the Authority and other defendants have been settled. These settlements have been achieved without any financial contribution from the Authority or its insurer, even though the settling plaintiffs have provided the Authority with a release of all claims related to the events of 9/11. The parties to the remaining lawsuits have been engaged in active pre-trial discovery, and depositions have been taken of several of the Authority's current or former employees. The court has placed a deadline of November 30, 2009 for fact discovery and has set a trial date of April 12, 2010 for one of the remaining wrongful death cases naming the Authority, along with another wrongful death case that does not name the Authority. The judge also indicated he plans to try one or more property damage cases in June 2010.

The two wrongful death lawsuits were brought on behalf of passengers: one on behalf of a passenger on American Airlines flight 11 and the other on behalf of a passenger on United Airlines flight 175. The plaintiffs in the property damage lawsuits include, but are not limited to, World Trade Center Properties, LLC, the lessee of the WTC, Cantor Fitzgerald, a financial services company located in the WTC, and insurers for various businesses located in or around the WTC.

Massachusetts Port Authority

Notes to Financial Statements

K. Litigation, continued

Absent the limitation of liability in ATSA, the amount of potential damages that could be awarded against the Authority if it were found liable in these lawsuits, based on the total amount of liability claimed, is an amount that would have a significant, materially adverse effect on the financial condition of the Authority. While the Authority cannot predict the outcome of any of these lawsuits or subsequent challenges, if any, to ATSA, it believes it has meritorious defenses to these actions and will continue to review and assess the various claims asserted and vigorously defend against them.

Environmental Contamination

The Authority is currently involved in twelve separate pollution remediation obligations that meet the requirements for accounting treatment under GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). These obligations are generally related to the removal and/or treatment of contaminated soil, groundwater and petroleum products associated with fuel storage and conveyance. The pronouncement dictates that for each obligating event, an estimate of the expected pollution remediation outlays is required to be accrued as a liability and expensed in the current period. Re-measurement of the liability is required when new information indicates increases or decreases in estimated outlays.

The amount of the estimated liability as of June 30, 2009, is \$5.9 million, which represents the approximate present value of the amounts the Authority expects to pay for future remediation activities. The Authority recognized approximately \$3.2 million operating pollution remediation expenses and capitalized \$2.7 million under GASB 49. This estimate was generated using input and guidance from internal management and professional consultants, and represents a wide array of remediation activities ranging from one time events to longer-term sustained monitoring activity.

The Authority will continue to closely monitor each of these obligations, working toward regulatory closure, and will make any necessary adjustments to the potential liability as new information becomes available.

Other Litigation

On April 7, 2008, the Authority was served with a complaint by a patent holder, alleging unspecified damages arising from patent infringement in connection with the Authority's parking garage ticketing and revenue control system. On May 15, 2008, the Authority received a demand letter, alleging past damages of approximately \$28.0 million and potential damages of \$37.0 million, with an offer to settle for a lesser amount. The Authority has denied infringement of the patent and has raised the affirmative defense of non-infringement, invalidity and unenforceability for reason of laches, and counterclaimed for a declaration that the patent is invalid and not infringed.

On July 13, 2008, the United States Patent and Trademark Office granted a request to reexamine the patent, agreeing that there is substantial question of patentability. On August 5, 2008, a United States District Court granted the Authority's motion to stay the proceedings pending the outcome of the reexamination of the patent and administratively closed the case.

Massachusetts Port Authority

Notes to Financial Statements

K. Litigation, continued

The Authority also is engaged in numerous matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. Others include such matters as disputes with contractors, subcontractors, engineers and others arising out of construction and maintenance of the Authority's properties; disputes over leases and concessions; property, theft and damage claims arising from the Authority's operations, employment matters and workers compensation, as to which the Authority is self-insured. The Authority does not expect that these matters will require any amounts to be paid which, in the aggregate, will be material to the results of operations.

L. Leases

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates, including certain provisions for contingent payments based on a specified percentage of the tenant's gross revenue.

Minimum future rental incomes, excluding contingent rentals, from noncancelable operating leases as of June 30, 2009 are:

Fiscal Year	Amount (in thousands)	Continued Fiscal Year	Amount (in thousands)
2010	\$ 71,235	2050 - 2054	\$ 24,902
2011	59,139	2055 - 2059	24,904
2012	52,837	2060 - 2064	26,409
2013	47,574	2065 - 2069	26,560
2014	46,274	2070 - 2074	28,216
2015 - 2019	121,441	2075 - 2079	28,382
2020 - 2024	82,220	2080 - 2084	30,191
2025 - 2029	73,935	2085 - 2089	30,360
2030 - 2034	70,884	2090 - 2094	32,364
2035 - 2039	70,827	2095 - 2099	15,435
2040 - 2044	77,248	2100 - 2101	209
2045 - 2049	62,335		
		Total	\$ 1,103,881

Rental income including contingent payments received under these provisions was approximately \$226.8 million and \$231.8 million for fiscal years 2009 and 2008, respectively.

Massachusetts Port Authority

Notes to Financial Statements

L. Leases, continued

The Authority has also entered into operating leases as the lessee. The following is a schedule by years of future minimum rental payments under noncancelable operating leases as of June 30, 2009:

Fiscal Year	Amount (in thousands)	Continued Fiscal Year	Amount (in thousands)
2010	\$ 27,119	2035 - 2039	\$ 4,638
2011	24,904	2040 - 2044	4,638
2012	24,891	2045 - 2049	4,638
2013	17,027	2050 - 2054	4,638
2014	13,732	2055 - 2059	4,638
2015 - 2019	21,444	2060 - 2064	4,517
2020 - 2024	4,638	2065 - 2069	4,436
2025 - 2029	4,638	2070	518
2030 - 2034	4,638		
		Total	<u>\$ 175,692</u>

Rent expense was \$26.4 million and \$25.2 million for fiscal years 2009 and 2008, respectively.

M. Interagency Agreements

Investment in Joint Venture

In May 1996, the Authority entered into an interagency agreement with the MHD and Massachusetts Bay Transportation Authority ("MBTA") for the construction of a Regional Transportation Center ("RTC") in Woburn, Massachusetts (the "Interagency Agreement"). Under the terms of the Interagency Agreement, the Authority has paid one third of the cost of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC. During fiscal year 2009, the Authority recognized a gain of approximately \$0.1 million representing its share of the earnings of the RTC compared to a loss of \$0.08 million recognized during fiscal year 2008. This gain of \$0.1 million is primarily due to implementation of cost containment initiatives and a parking rate increase.

Logan Airport Silver Line Transportation Agreement

The Authority entered into an agreement with the Massachusetts Bay Transportation Authority ("MBTA") to provide public transportation between South Station in Boston, Massachusetts and Logan Airport along a route called the Silver Line. Pursuant to this agreement the Authority has purchased and accepted delivery of eight buses for a cost of \$13.3 million.

In addition, the MBTA and the Authority have entered into a ten-year agreement ending on December 30, 2015. Under this agreement, the MBTA will operate and maintain the Authority's Silver Line buses for a cost of \$2.0 million per year, paid in equal monthly installments. The MBTA will remit to the Authority a per passenger amount for each passenger loading at Logan Airport.

Massachusetts Port Authority **Notes to Financial Statements**

N. Self Insurance

The Authority, as mandated by the 1978 Trust Agreement, maintains a self insurance account for general liability and workers compensation within the Operating Fund. The self insurance accruals are determined based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The overall accrual was approximately \$5.6 million and \$7.5 million as of June 30, 2009 and 2008, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2009 and 2008. Changes in the accrued liability accounts in fiscal year 2009 and 2008 were as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Beginning liability	\$ 7,491	\$ 7,619
Estimated claims and changes in estimates	3,783	5,259
Claim payments	<u>(5,664)</u>	<u>(5,387)</u>
Ending liability	<u><u>\$ 5,610</u></u>	<u><u>\$ 7,491</u></u>

O. Subsequent Events

Partial Defeasance of the 1999D Bonds: On July 16, 2009 the Authority's Board authorized the defeasance with cash of \$21.7 million of the then outstanding 1999-D Bonds as a surrogate refunding of all outstanding debt that had been issued in regards to expenditures on the Tobin Bridge. The defeasance was accomplished on July 24, 2009.

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheet
June 30, 2009
(In Thousands)

	<u>Authority Operations</u>	<u>Retiree Benefit Fund</u>	<u>PFC Program</u>	<u>Combined</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 51,315	\$ -	\$ -	\$ 51,315
Investments	-	-	-	-
Restricted cash and cash equivalents	99,400	63,927	22,549	185,876
Restricted investments	20,710	-	14,232	34,942
Accounts receivable – net of allowance for doubtful accounts of \$12,464 and \$11,117 as of June 30, 2009 and 2008, respectively	33,584	-	2,194	35,778
Accounts receivable-grants	16,478	-	-	16,478
Prepaid expenses and other assets	6,995	-	261	7,256
	<u>228,482</u>	<u>63,927</u>	<u>39,236</u>	<u>331,645</u>
NONCURRENT ASSETS				
Investments	116,585	-	-	116,585
Restricted investments	342,259	-	30,198	372,457
Prepaid expenses and other assets	17,772	-	1,787	19,559
Investment in joint venture	2,598	-	-	2,598
Intangible assets, net	33,924	-	-	33,924
Capital Assets	3,429,567	-	793,726	4,223,293
Less accumulated depreciation	(1,442,422)	-	(219,096)	(1,661,518)
Capital assets, net	<u>1,987,145</u>	<u>-</u>	<u>574,630</u>	<u>2,561,775</u>
	<u>2,500,283</u>	<u>-</u>	<u>606,615</u>	<u>3,106,898</u>
TOTAL ASSETS	<u>\$ 2,728,765</u>	<u>\$ 63,927</u>	<u>\$ 645,851</u>	<u>\$ 3,438,543</u>

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheet, Continued
June 30, 2009
(In Thousands)

	<u>Authority Operations</u>	<u>Retiree Benefit Fund</u>	<u>PFC Program</u>	<u>Combined</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 81,899	\$ 735	\$ 873	\$ 83,507
Compensated absences	1,162	-	-	1,162
Other Postemployment Benefits	-	6,600	-	6,600
Retainage	3,512	-	5	3,517
Current maturities of bonds payable	58,711	-	13,936	72,647
Commercial notes payable	-	-	89,000	89,000
Accrued interest payable	29,661	-	5,324	34,985
Deferred income	4,754	-	-	4,754
	<u>179,699</u>	<u>7,335</u>	<u>109,138</u>	<u>296,172</u>
NON-CURRENT LIABILITIES				
Accrued expenses	26,495	-	198	26,693
Compensated absences	22,071	-	-	22,071
Other Postemployment Benefits	-	12,897	-	12,897
Retainage	994	-	-	994
Long term bonds payable	1,252,649	-	198,977	1,451,626
Deferred income	10,804	-	-	10,804
	<u>1,313,013</u>	<u>12,897</u>	<u>199,175</u>	<u>1,525,085</u>
TOTAL LIABILITIES	<u>1,492,712</u>	<u>20,232</u>	<u>308,313</u>	<u>1,821,257</u>
NET ASSETS				
Invested in capital assets, net of related debt	675,826	-	278,275	954,101
Restricted				
Bond funds	184,480	-	-	184,480
Project funds	158,709	-	-	158,709
Passenger facility charges	-	-	59,263	59,263
Customer facility charges	5,221	-	-	5,221
Other post-employment benefits	-	43,695	-	43,695
Other purposes	87,062	-	-	87,062
Total restricted	<u>435,472</u>	<u>43,695</u>	<u>59,263</u>	<u>538,430</u>
Unrestricted	<u>124,755</u>	<u>-</u>	<u>-</u>	<u>124,755</u>
TOTAL NET ASSETS	<u>1,236,053</u>	<u>43,695</u>	<u>337,538</u>	<u>1,617,286</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,728,765</u>	<u>\$ 63,927</u>	<u>\$ 645,851</u>	<u>\$ 3,438,543</u>

Massachusetts Port Authority
Supplemental Schedule of Combining Statements of
Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009
(In Thousands)

	<u>Authority Operations</u>	<u>Retiree Benefit Fund</u>	<u>PFC Program</u>	<u>Combined</u>
Operating revenues:				
Fees, tolls and other services	\$ 298,368	\$ -	\$ -	\$ 298,368
Rentals	166,016	-	-	166,016
Concessions	60,794	-	-	60,794
Other	14,533	-	-	14,533
Operating grants	3,055	-	-	3,055
Total operating revenues	542,766	-	-	542,766
Operating expenses:				
Operations and maintenance	276,071	-	-	276,071
Administration	42,022	-	-	42,022
Insurance	7,402	-	-	7,402
Pension	408	-	-	408
Other post-employment benefits	-	16,731	-	16,731
Payments in lieu of taxes	18,460	-	-	18,460
Provision for uncollectible accounts	1,632	-	-	1,632
Depreciation and amortization	114,967	-	41,778	156,745
Total operating expenses	460,962	16,731	41,778	519,471
Operating income	81,804	(16,731)	(41,778)	23,295
Nonoperating revenues (expenses):				
OPEB fund transferred from I&E (net)	(16,186)	16,186	-	-
Passenger facility charges	-	-	50,102	50,102
Customer facility charges	5,211	-	-	5,211
Investment income	19,911	431	2,271	22,613
Net increase in the fair value of investments	3,233	-	79	3,312
Other revenues	11,995	-	-	11,995
Settlement of Claims	3,987	-	-	3,987
Other expenses	(11,590)	-	172	(11,418)
Gain on sale of equipment	(1)	-	-	(1)
Interest expense	(62,208)	-	(11,502)	(73,710)
Total nonoperating revenue	(45,648)	16,617	41,122	12,091
Income before capital grant revenue	36,156	(114)	(656)	35,386
Capital grant revenue	42,998	-	-	42,998
Increase in net assets	79,154	(114)	(656)	78,384
Net assets, beginning of year	1,156,899	43,809	338,194	1,538,902
Net assets, end of year	<u>\$ 1,236,053</u>	<u>\$ 43,695</u>	<u>\$ 337,538</u>	<u>\$ 1,617,286</u>

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COSCO Boston

History was made when China Ocean Shipping Company named a 964 foot, 5,089 TEU container ship after Boston in recognition of the seven year partnership between COSCO and Massport. COSCO, one of the world's largest steamship lines, started direct service from Asia to Boston in 2002. Since then, the service has grown by more than 400 %. COSCO Boston is the largest COSCO container ship to call on Boston's port.



COSCO BOSTON
PANAMA

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Statistical Section

This part of the Massachusetts Port Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Financial Trends:

These schedules present trend information on how the Authority's financial position changed overtime.

- S-1 Changes in Net Assets, and Net Assets by Component
- S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
- S-5 Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement

Revenue Capacity:

These schedules present trend information on what is the Authority's most significant revenue source.

- S-2 Most Significant Own-Source Revenues and Related Rates and Charges
- S-3 Historical Principal Operating Revenue Payers

Debt Capacity:

These schedules present information on what is the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt.

- S-6 Calculation of Debt Service Coverage and Debt Metrics Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement

Demographic and Economic Information:

These schedules provide demographic and economic indicators to help the reader understand the environment within the Authority's financial activities take place.

- S-7 Largest Private Sector Employers
- S-8 Demographics and Employment Data

Operation and Others Information:

These schedules provide operating data to help the reader understand how the information in the Authority's financial report relates to the services it provides and the activities it performs.

- S-9 Number of Employees by Facility
- S-16 Insurance Coverage
- S-17 Physical Asset Data

Other Information:

- S-10 Logan International Airport Traffic Metrics
- S-11 Logan International Airport Market Share of Total Passenger Traffic
- S-12 Logan International Airport Passenger Market
- S-13 Port of Boston Cargo and Passenger Activity
- S-14 Port of Boston Principal Customers
- S-15 Tobin Memorial Bridge Activity

Massachusetts Port Authority
Statistical Section

Revenues, Expenses and Changes in Net Assets
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands)

S-1 Changes in Net Assets

	2000	2001	2002	2003	2004
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 182,873	\$ 187,357	\$ 174,508	\$ 214,116	\$ 236,287
Rentals	75,925	82,811	85,053	90,431	115,225
Concessions	46,315	45,495	42,741	46,829	45,054
Other	10,714	11,237	12,837	15,117	13,539
Operating grants	-	-	2,749	7,314	4,859
Total operating revenues	<u>315,827</u>	<u>326,900</u>	<u>317,888</u>	<u>373,807</u>	<u>414,964</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 135,468	\$ 152,185	\$ 155,510	\$ 181,765	\$ 201,394
Administration	52,248	49,001	43,631	38,810	39,422
Insurance	2,313	2,880	4,332	8,685	10,234
Pension	-	-	-	-	1,834
Other post-employment benefits	1,806	1,964	2,350	3,004	3,672
Payments in lieu of taxes	12,031	13,093	12,209	12,559	12,419
Provision for uncollectible accounts	(100)	14	1,260	1,211	573
Depreciation and Amortization (1)	75,706	71,389	81,596	102,388	111,726
Total operating expenses	<u>279,472</u>	<u>290,526</u>	<u>300,888</u>	<u>348,422</u>	<u>381,274</u>
Operating income	<u>36,355</u>	<u>36,374</u>	<u>17,000</u>	<u>25,385</u>	<u>33,690</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (2)	36,815	36,324	29,445	29,090	32,845
Customer facility charges (3)	-	-	-	-	-
Investment income	25,220	28,982	19,795	11,486	10,239
Net gain in change in the fair value of investments	-	-	-	-	-
Other revenues	-	-	-	-	-
Gain on sales of assets	139	1,664	17	31	9
Settlement of claims	-	-	-	-	1,000
Total nonoperating revenues	<u>62,174</u>	<u>66,970</u>	<u>49,257</u>	<u>40,607</u>	<u>44,093</u>
<u>Nonoperating expenses</u>					
Interest expense	34,323	35,734	40,642	45,806	59,665
Loss from sale of equipment	-	-	-	-	-
Termination of interest rate swap	-	-	-	-	-
Net loss in change in the fair value of investments	-	-	-	-	-
Other expense / arbitrage	-	-	-	3,962	176
Total nonoperating expenses	<u>34,323</u>	<u>35,734</u>	<u>40,642</u>	<u>49,768</u>	<u>59,841</u>
Total nonoperating revenues (expenses)	<u>27,851</u>	<u>31,236</u>	<u>8,615</u>	<u>(9,161)</u>	<u>(15,748)</u>
Income before capital grant revenue	<u>64,206</u>	<u>67,610</u>	<u>25,615</u>	<u>16,224</u>	<u>17,942</u>
Capital grant revenue	<u>9,744</u>	<u>12,851</u>	<u>15,450</u>	<u>43,994</u>	<u>90,115</u>
Change in net assets	<u>73,950</u>	<u>80,461</u>	<u>41,065</u>	<u>60,218</u>	<u>108,057</u>
Net assets, beginning of year	<u>878,146</u>	<u>952,096</u>	<u>1,032,557</u>	<u>1,073,622</u>	<u>1,133,840</u>
Net assets, end of year	<u>\$ 952,096</u>	<u>\$ 1,032,557</u>	<u>\$ 1,073,622</u>	<u>\$ 1,133,840</u>	<u>\$ 1,241,897</u>
Total net assets composed of:					
Invested in capital assets, net of debt	*	*	615,048	701,423	772,532
Restricted	*	*	402,888	378,268	402,599
Unrestricted	*	*	55,686	54,149	66,766
Total Net Assets (4)	<u>\$ 952,096</u>	<u>\$ 1,032,557</u>	<u>\$ 1,073,622</u>	<u>\$ 1,133,840</u>	<u>\$ 1,241,897</u>

(1) Prior to FY2000 depreciation and amortization were treated as nonoperating expenses in the Authority's financial statements.

(2) PFC accrued revenue exclusive of PFC interest earnings.

(3) CFC accrued revenue exclusive of CFC interest earnings.

(4) Net assets breakdown data are not available prior to the implementation of GASB Statement No. 34.

Source: Authority's audited financial statements.

Massachusetts Port Authority
Statistical Section

.....
Revenues, Expenses and Changes in Net Assets, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands)
.....

S-1 Changes in Net Assets

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 249,323	\$ 268,723	\$ 290,679	\$ 312,248	\$ 298,368
Rentals	139,731	154,991	158,848	166,424	166,016
Concessions	49,923	53,678	55,826	65,414	60,794
Other	16,147	16,752	18,500	18,509	14,533
Operating grants	5,454	3,490	2,976	2,896	3,055
Total operating revenues	<u>460,578</u>	<u>497,634</u>	<u>526,829</u>	<u>565,491</u>	<u>542,766</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 211,905	\$ 236,359	\$ 252,905	\$ 275,824	\$ 276,071
Administration	43,005	42,126	43,094	45,495	42,022
Insurance	11,221	6,632	10,689	8,548	7,402
Pension	2,141	3,715	3,140	1,006	408
Other post-employment benefits	4,018	4,527	5,139	15,850	16,731
Payments in lieu of taxes	12,028	15,771	16,732	17,108	18,460
Provision for uncollectible accounts	320	2,609	(2,256)	158	1,632
Depreciation and Amortization (1)	136,007	142,071	157,550	162,388	156,745
Total operating expenses	<u>420,645</u>	<u>453,810</u>	<u>486,993</u>	<u>526,377</u>	<u>519,471</u>
Operating income	<u>39,933</u>	<u>43,824</u>	<u>39,836</u>	<u>39,114</u>	<u>23,295</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (2)	35,316	48,324	57,504	53,740	50,102
Customer facility charges (3)	-	-	-	-	5,211
Investment income	13,456	20,648	26,845	29,920	22,613
Net gain in change in the fair value of investments	-	-	1,812	2,739	3,312
Other revenues	-	351	-	2,099	11,995
Gain on sales of assets	60	102	45	49	-
Settlement of claims	3,354	438	200	84	3,987
Total nonoperating revenues	<u>52,186</u>	<u>69,863</u>	<u>86,406</u>	<u>88,631</u>	<u>97,220</u>
<u>Nonoperating expenses</u>					
Interest expense	64,620	69,601	76,860	80,862	73,710
Loss from sale of equipment	-	-	-	-	1
Termination of interest rate swap	-	-	-	-	-
Net loss in change in the fair value of investments	-	2,870	-	-	-
Other expense / arbitrage	230	2,780	382	1,027	11,418
Total nonoperating expenses	<u>64,850</u>	<u>75,251</u>	<u>77,242</u>	<u>81,889</u>	<u>85,129</u>
Total nonoperating revenues (expenses)	<u>(12,664)</u>	<u>(5,388)</u>	<u>9,164</u>	<u>6,742</u>	<u>12,091</u>
Income before capital grant revenue	<u>27,269</u>	<u>38,436</u>	<u>49,000</u>	<u>45,856</u>	<u>35,386</u>
Capital grant revenue	<u>47,709</u>	<u>36,209</u>	<u>10,708</u>	<u>41,818</u>	<u>42,998</u>
Change in net assets	<u>74,978</u>	<u>74,645</u>	<u>59,708</u>	<u>87,674</u>	<u>78,384</u>
Net assets, beginning of year	<u>1,241,897</u>	<u>1,316,875</u>	<u>1,391,520</u>	<u>1,451,228</u>	<u>1,538,902</u>
Net assets, end of year	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>
Total net assets composed of:					
Invested in capital assets, net of debt	772,931	814,180	901,516	867,535	954,101
Restricted	467,014	495,974	405,157	539,112	538,430
Unrestricted	76,930	81,366	144,555	132,255	124,755
Total Net Assets (4)	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>

(1) Prior to FY2000 depreciation and amortization were treated as nonoperating expenses in the Authority's financial statements.

(2) PFC accrued revenue exclusive of PFC interest earnings.

(3) CFC accrued revenue exclusive of CFC interest earnings.

(4) Net assets breakdown data are not available prior to the implementation of GASB Statement No. 34.

Source: Authority's audited financial statements.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2000 through June 30, 2009

S-2 Principal Revenues and Rates as of June 30th

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 52,930	\$ 56,141	\$ 49,656	\$ 68,969	\$ 75,050
Terminal Rentals and Fees	40,328	40,879	41,771	47,109	66,196
Parking Fees	71,108	73,269	64,007	75,381	88,169
<u>Logan Airport Rates and Charges (1)</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 2.14	\$ 2.21	\$ 2.35	\$ 3.76	\$ 3.58
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	\$ 67.06	\$ 68.26	\$ 86.36		
Terminal A (opened March 2005)					
Terminal B	\$ 90.91	\$ 88.80	\$ 88.80	\$ 48.04	\$ 75.12
Terminal C - Main Terminal	\$ 73.26	\$ 76.52	\$ 84.18	\$ 82.13	\$ 97.93
Terminal E - Type 3 Space	\$ 58.24	\$ 63.26	\$ 74.20	\$ 81.28	\$ 92.05
<u>Baggage Fee (per checked bag)</u>					\$ 0.48
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 3.84	\$ 3.84	\$ 4.79	\$ 6.98	\$ 7.33
Outbound	\$ 1.42	\$ 0.78	\$ 1.34	\$ 1.89	\$ 1.85
Inbound Domestic	\$ 0.37	\$ 0.26	\$ 0.32	\$ 0.39	\$ 0.39
Common Use Check-in Fee					\$ 5.62
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 18.00	\$ 18.00	\$ 22.00	\$ 22.00	\$ 22.00

(1) Authority Board approved rate each fiscal year.

Source: Authority reports

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges, Con't

Fiscal Years Ended June 30, 2000 through June 30, 2009

S-2 Principal Revenues and Rates as of June 30th

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 69,929	\$ 76,743	\$ 82,241	\$ 87,065	\$ 89,041
Terminal Rentals and Fees	85,843	102,967	103,193	107,260	106,021
Parking Fees	93,014	92,324	99,407	110,602	102,778
<u>Logan Airport Rates and Charges (1)</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 3.07	\$ 3.89	\$ 4.20	\$ 4.41	\$ 4.82
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)					
Terminal A (opened March 2005)	\$ 75.20	\$ 57.45	\$ 80.51	\$ 87.43	\$ 84.04
Terminal B	\$ 80.58	\$ 83.76	\$ 87.91	\$ 95.91	\$ 91.47
Terminal C - Main Terminal	\$ 102.87	\$ 107.17	\$ 108.79	\$ 110.17	\$ 98.56
Terminal E - Type 3 Space	\$ 119.46	\$ 121.43	\$ 117.91	\$ 117.49	\$ 115.76
<u>Baggage Fee (per checked bag)</u>	\$ 1.08	\$ 0.92	\$ 0.99	\$ 1.15	\$ 1.38
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 7.41	\$ 8.42	\$ 11.63	\$ 13.31	\$ 12.32
Outbound	\$ 1.61	\$ 3.18	\$ 2.85	\$ 2.79	\$ 2.62
Inbound Domestic	\$ 0.37	\$ 1.09	\$ 1.08	\$ 1.07	\$ 1.07
Common Use Check-in Fee	\$ 7.56	\$ 8.41	\$ 8.51	\$ 9.06	\$ 8.39
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 22.00	\$ 22.00	\$ 24.00	\$ 24.00	\$ 24.00

(1) Authority Board approved rate each fiscal year.

Source: Authority reports

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Massachusetts Port Authority
Statistical Section

.....
Historical Principal Operating Revenue Payers
Current Year and Nine Years Ago
(In Thousands)
.....

S-3 Principal Operating Revenue Payers

Landing Fee Revenue	For the Fiscal Year Ended June 30, 2009			For the Fiscal Year Ended June 30, 2000		
	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees
Customer						
US AIRWAYS, INC.	\$ 12,004	1	13.48%	\$ 6,941	2	13.11%
AMERICAN AIRLINES	11,105	2	12.47%	6,729	3	12.71%
JETBLUE AIRWAYS	11,015	3	12.37%	-	-	0.00%
DELTA AIRLINES	8,949	4	10.05%	9,243	1	17.46%
UNITED AIRLINES, INC.	7,006	5	7.87%	5,440	4	10.28%
NORTHWEST AIRLINES	3,714	6	4.17%	2,850	5	5.38%
CONTINENTAL AIRLINES	3,611	7	4.06%	2,369	6	4.48%
AIRTRAN AIRLINES	3,425	8	3.85%	351	27	0.66%
FEDERAL EXPRESS CORP.	2,655	9	2.98%	1,403	10	2.65%
COMAIR INC.	2,609	10	2.93%	103	43	0.19%
US AIRWAYS SHUTTLE	-	-	0.00%	1,824	7	3.45%
BUSINESS EXPRESS	-	-	0.00%	1,613	8	3.05%
SIGNATURE FLIGHT SUPPORT	1,562	14	1.75%	1,563	9	2.95%
ALL OTHER PAYERS	21,386		24.02%	12,507		23.63%
Total Landing Fees	\$ 89,041		100.00%	\$ 52,936		100.00%

Terminal Rents and Fees	For the Fiscal Year Ended June 30, 2009			For the Fiscal Year Ended June 30, 2000		
	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees
Customer						
DELTA AIRLINES	\$ 15,379	1	14.51%	\$ 6,775	1	16.80%
AMERICAN AIRLINES	13,440	2	12.68%	3,455	4	8.57%
US AIRWAYS, INC.	10,557	3	9.96%	224	25	0.56%
JETBLUE AIRWAYS	8,881	4	8.38%	-	-	0.00%
NORTHWEST AIRLINES	6,565	5	6.19%	2,441	6	6.05%
BRITISH AIRWAYS	6,527	6	6.16%	2,263	7	5.61%
UNITED AIRLINES, INC.	6,316	7	5.96%	4,687	3	11.62%
LUFTHANSA GERMAN AIRLINES	4,545	8	4.29%	1,183	11	2.93%
AIR FRANCE	4,003	9	3.78%	354	20	0.88%
AER LINGUS	3,990	10	3.76%	1,077	12	2.67%
CONTINENTAL AIRLINES	3,752	11	3.54%	2,704	5	6.71%
SOUTH TERMINAL CORP.	625	23	0.59%	4,858	2	12.05%
AMERICA WEST	-	-	0.00%	1,560	8	3.87%
HUDSON GENERAL LLC	-	-	0.00%	1,540	9	3.82%
TRANS WORLD AIRLINES	-	-	0.00%	1,387	10	3.44%
ALL OTHER PAYERS	21,441		20.22%	5,820		14.43%
Total Terminal Rental and Fees	\$ 106,021		100.00%	\$ 40,328		100.00%

Parking Revenue	For the Fiscal Year Ended June 30, 2009			For the Fiscal Year Ended June 30, 2000		
	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue
Customer						
PUBLIC PARKING AT AIRPORT	\$ 93,822	1	91.29%	\$ 62,819	1	88.34%
TENANT EMPLOYEE PARKING	5,856	2	5.70%	5,144	2	7.23%
PUBLIC OFF-AIRPORT PARKING	3,100	3	3.02%	3,145	3	4.42%
Total Parking Revenue	\$ 102,778		100.00%	\$ 71,108		100.00%

Source: Authority's accounting reports

Massachusetts Port Authority
Statistical Section

.....
Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands)
.....

S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenue:					
Per Financial Statements	<u>\$ 315,827</u>	<u>\$ 326,900</u>	<u>\$ 317,888</u>	<u>\$ 373,807</u>	<u>\$ 414,964</u>
Adjustments:					
Provision for uncollectible accounts	100	(14)	(1,260)	(1,211)	(573)
Other	-	-	-	(6,880)	-
Operating Revenue:					
Per the 1978 Trust Agreement	<u>315,927</u>	<u>326,886</u>	<u>316,628</u>	<u>365,716</u>	<u>414,391</u>
Income on Investments:					
Per Financial Statements	<u>25,220</u>	<u>28,982</u>	<u>19,795</u>	<u>11,486</u>	<u>10,239</u>
Adjustments:					
PFC - Trust Agreement	(5,948)	(5,345)	(4,045)	(2,159)	(2,158) ⁽¹⁾
CFC	-	-	-	-	-
Self Insurance and Other Accounts	(1,524)	(2,033)	(2,791)	(1,365)	(1,513) ⁽¹⁾
Income on Investments:					
Per the 1978 Trust Agreement	<u>17,748</u>	<u>21,604</u>	<u>12,959</u>	<u>7,962</u>	<u>6,568</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement	<u>333,675</u>	<u>348,490</u>	<u>329,587</u>	<u>373,678</u>	<u>420,959</u>
Operating Expenses:					
Per Financial Statements	<u>\$279,472</u>	<u>\$290,526</u>	<u>\$300,888</u>	<u>\$348,422</u>	<u>\$381,274</u>
Adjustments:					
Insurance	141	10	(905)	358	(1,610)
Pension Adjustments	-	-	-	-	-
Payments in Lieu of Taxes	(12,031)	(13,093)	(12,209)	(12,559)	(12,419)
Provision for uncollectible accounts	100	(14)	(1,260)	(1,211)	(573)
Depreciation and Amortization	(75,706)	(71,389)	(81,597)	(102,388)	(111,726)
Other post-employment benefits	-	-	-	-	-
Other Expenses	(250)	(1,096)	(1,451)	(1,923)	(12,666)
Other Expense / State Police Details	-	-	-	(6,880)	-
Administration Expenses	-	-	-	-	1,000
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>191,726</u>	<u>204,944</u>	<u>203,466</u>	<u>223,819</u>	<u>243,281</u> ⁽²⁾
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 141,949</u>	<u>\$ 143,546</u>	<u>\$ 126,121</u>	<u>\$ 149,859</u>	<u>\$ 177,678</u>

(1) Fiscal year 2004 data have been reclassified to conform with the fiscal year 2005 presentation.

(2) Column does not add due to rounding.

Source: Authority's audited financial statements.

Massachusetts Port Authority
Statistical Section

.....
Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands)
.....

S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Revenue:					
Per Financial Statements	\$ 460,578	\$ 497,634	\$ 526,829	\$ 565,491	\$ 542,766
Adjustments:					
Provision for uncollectible accounts	(320)	(2,609)	2,256	(158)	(1,632)
Other	-	-			
Operating Revenue:					
Per the 1978 Trust Agreement	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>
Income on Investments:					
Per Financial Statements	13,456	20,648	26,845	29,920	22,613
Adjustments:					
PFC - Trust Agreement	(2,044)	(2,736)	(2,429)	(2,753)	(2,271)
CFC	-	-	-	-	(10)
Self Insurance and Other Accounts	(1,924)	(2,566)	(3,432)	(3,164)	(2,849)
Income on Investments:					
Per the 1978 Trust Agreement	<u>9,488</u>	<u>15,346</u>	<u>20,984</u>	<u>24,003</u>	<u>17,483</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>	<u>558,617</u>
Operating Expenses:					
Per Financial Statements	\$420,645	\$453,810	\$486,993	\$526,377	\$519,471
Adjustments:					
Insurance	(2,195)	1,074	(2,583)	(824)	5,476
Pension Adjustments	-	-	-	-	-
Payments in Lieu of Taxes	(12,028)	(15,771)	(16,732)	(17,108)	(18,460)
Provision for uncollectible accounts	(320)	(2,609)	2,256	(158)	(1,632)
Depreciation and Amortization	(136,007)	(142,071)	(157,550)	(162,388)	(156,745)
Other post-employment benefits	-	-	-	(6,702)	(5,526)
Other Expenses	(2,391)	(1,515)	(826)	(2,315)	(9,044)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses/Revenues	2,000	1,000	1,000	-	1,280
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>269,704</u>	<u>293,918</u>	<u>312,558</u>	<u>336,882</u>	<u>334,820</u>
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 223,797</u>

(1) Fiscal year 2004 data have been reclassified to conform with the fiscal year 2005 presentation.
(2) Column does not add due to rounding.

Source: Authority's audited financial statements.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement Fiscal Years Ended June 30, 2000 through June 30, 2009 (In Thousands)

S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1978 Trust Agreement					
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 52,930	\$ 56,141	\$ 49,656	\$ 68,969	\$ 75,050
Parking Fees	71,108	73,269	64,007	75,381	88,169
Utility Fees	12,488	14,170	13,731	13,577	12,407
Terminal Rentals	40,328	40,879	41,771	47,109	66,196
Non-Terminal Building and Ground Rents	26,264	29,949	29,851	30,269	31,905
Concessions	44,190	44,370	41,371	45,949	43,870
Other	10,863	11,236	15,275	14,912	17,501 ⁽¹⁾
	<u>258,171</u>	<u>270,014</u>	<u>255,662</u>	<u>296,166</u>	<u>335,098</u>
Airport Properties - Hanscom	3,579	4,073	4,949	4,093	5,646
Total Airport Properties	<u>261,750</u>	<u>274,087</u>	<u>260,611</u>	<u>300,259</u>	<u>340,744</u>
Port Properties					
Maritime Operations	34,689	32,155	31,562	35,056	35,687
Business Development	7,279	7,454	7,019	8,055	-
Maritime Real Estate (2)	-	-	-	-	13,931
	<u>41,968</u>	<u>39,609</u>	<u>38,581</u>	<u>43,111</u>	<u>49,618</u>
Bridge	12,209	13,190	17,436	22,346	24,029
Total Operating Revenue	<u>315,927</u>	<u>326,886</u>	<u>316,628</u>	<u>365,716</u>	<u>414,391</u> ⁽³⁾
Investment Income (4)	17,748	21,604	12,959	7,962	6,568
Total Revenues	<u>333,675</u>	<u>348,490</u>	<u>329,587</u>	<u>373,678</u>	<u>420,959</u>
Operating Expenses (5):					
Airport Properties					
Logan	139,896	153,010	150,610	163,779	179,970
Hanscom	3,394	4,040	3,910	4,642	4,952
	<u>143,290</u>	<u>157,050</u>	<u>154,520</u>	<u>168,421</u>	<u>184,922</u>
Port Properties					
Maritime Operations	34,720	33,420	34,054	40,067	37,589
Business Development	6,413	6,822	7,041	6,620	-
Maritime Real Estate (2)	-	-	-	-	11,198
	<u>41,133</u>	<u>40,242</u>	<u>41,095</u>	<u>46,687</u>	<u>48,787</u>
Bridge	7,303	7,652	7,852	8,711	9,572
Total Operating Expenses	<u>191,726</u>	<u>204,944</u>	<u>203,467</u>	<u>223,819</u>	<u>243,281</u> ⁽³⁾
Net Revenue	<u>\$ 141,949</u>	<u>\$ 143,546</u>	<u>\$ 126,120</u>	<u>\$ 149,859</u>	<u>\$ 177,678</u>
1999 PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (6)	\$ 36,815	\$ 36,324	\$ 29,445	\$ 29,090	\$ 32,845
PFC Investment Income	4,483	3,901	2,652	771	607
Net PFC Revenue	<u>\$ 41,298</u>	<u>\$ 40,225</u>	<u>\$ 32,097</u>	<u>\$ 29,861</u>	<u>\$ 33,452</u>

(1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.

(2) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.

(3) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.

(4) Excludes investment income earned by and deposited into Construction and PFC Funds.

(5) Includes allocation of all operating expenses related to Authority General Administration.

(6) PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.

(7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.

Source: Authority's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

.....
Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and
Calculation of Total PFC Revenue Pledged Under the 1999 PFC Trust Agreement, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands)
.....

S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

1978 Trust Agreement	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 69,929	\$ 76,743	\$ 82,241	\$ 87,065	\$ 89,041
Parking Fees	93,014	92,324	99,407	110,602	102,778
Utility Fees	15,696	21,690	25,257	26,562	26,005
Terminal Rentals	85,843	102,967	103,193	107,260	106,021
Non-Terminal Building and Ground Rents	36,133	34,699	34,510	35,063	36,693
Concessions	48,195	51,948	53,724	63,058	58,685
Other	19,485	16,232	21,765	20,208	16,177
	<u>368,295</u>	<u>396,603</u>	<u>420,097</u>	<u>449,818</u>	<u>435,400</u>
Airport Properties - Hanscom	6,219	7,167	8,911	10,063	9,037
Total Airport Properties	<u>374,514</u>	<u>403,770</u>	<u>429,008</u>	<u>459,881</u>	<u>444,437</u>
Port Properties					
Maritime Operations	42,247	46,588	48,708	54,107	49,299
Business Development	-	-	-	-	-
Maritime Real Estate (2)	15,947	16,394	20,030	20,783	18,516
	<u>58,194</u>	<u>62,982</u>	<u>68,738</u>	<u>74,890</u>	<u>67,815</u>
Bridge	27,550	28,273	31,339	30,562	28,882
Total Operating Revenue	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>
Investment Income (4)	9,488	15,346	20,984	24,003	17,483
Total Revenues	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>	<u>558,617</u>
Operating Expenses (5):					
Airport Properties					
Logan	198,380	218,674	232,418	247,026	246,561
Hanscom	6,468	7,096	7,765	9,301	8,710
	<u>204,848</u>	<u>225,770</u>	<u>240,183</u>	<u>256,327</u>	<u>255,271</u>
Port Properties					
Maritime Operations	42,006	45,151	47,415	52,616	50,576
Business Development	-	-	-	-	-
Maritime Real Estate (2)	13,195	13,464	14,597	15,611	16,344
	<u>55,201</u>	<u>58,615</u>	<u>62,012</u>	<u>68,227</u>	<u>66,920</u>
Bridge	9,655	9,533	10,363	12,328	12,629
Total Operating Expenses	<u>269,704</u>	<u>293,918</u>	<u>312,558</u>	<u>336,882</u>	<u>334,820</u>
Net Revenues	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 223,797</u>

1999 PFC Trust Agreement

Revenues:					
Logan Airport Net PFC Collections (6)	\$ 35,316	\$ 48,324 (7)	\$ 57,504	\$ 53,740	\$ 50,102
PFC Investment Income	621	1,265	938	1,006	597
Net PFC Revenue	<u>\$ 35,937</u>	<u>\$ 49,589</u>	<u>\$ 58,442</u>	<u>\$ 54,746</u>	<u>\$ 50,699</u>

- (1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.
(2) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.
(3) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.
(4) Excludes investment income earned by and deposited into Construction and PFC Funds.
(5) Includes allocation of all operating expenses related to Authority General Administration.
(6) PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.
(7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.

Source: Authority's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

.....
Calculation of Debt Service Coverage and Debt Metrics
Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1978 Trust Agreement					
Net Revenue	\$ 141,949	\$ 143,546	\$ 126,120	\$ 149,859	\$ 177,678
Debt Service - Principal	19,175	23,590	27,290	29,185	33,185
Debt Service - Interest	49,620	50,603	49,369	47,473	56,104
Credits to Debt Service (1)	(11,351)	(9,228)	(6,948)	(2,570)	(8,593)
Annual Debt Service	<u>\$ 57,444</u>	<u>\$ 64,965</u>	<u>\$ 69,711</u>	<u>\$ 74,089</u>	<u>\$ 80,696</u>
Debt Service Coverage	2.47	2.21	1.81	2.02	2.20
1999 PFC Trust Agreement					
Net PFC Revenue (2)	\$ 41,298	\$ 40,225	\$ 32,097	\$ 29,861	\$ 33,452
Debt Service - Principal	-	8,860	9,205	9,585	9,995
Debt Service - Interest	13,212	12,683	12,342	11,960	11,553
Credits to Debt Service (3)	(10,604)	(9,904)	(7,402)	(3,841)	(895)
Annual Debt Service	<u>\$ 2,608</u>	<u>\$ 11,639</u>	<u>\$ 14,145</u>	<u>\$ 17,704</u>	<u>\$ 20,652</u>
Debt Service Coverage (4)	15.84 (5)	3.46	2.27	1.69	1.62
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 4.16	\$ 4.76	\$ 6.32	\$ 6.59	\$ 6.60
1978 Trust Agreement Bonds Outstanding	\$ 936,240	\$ 986,650	\$ 959,360	\$ 1,195,175	\$ 1,161,990
1978 Trust Agreement Bonds per enplaned passenger	\$ 67.84	\$ 72.24	\$ 87.01	\$ 106.24	\$ 94.97
1999 PFC Trust Agreement Debt Service per enplaned passenger	\$ 0.19	\$ 0.85	\$ 1.28	\$ 1.57	\$ 1.69
1999 PFC Trust Agreement Bonds Outstanding	\$ 249,355	\$ 240,495	\$ 231,290	\$ 221,705	\$ 211,710
1999 PFC Trust Agreement Bonds per enplaned passenger	\$ 18.07	\$ 17.61	\$ 20.98	\$ 19.71	\$ 17.30
Total annual Debt Service per enplaned passenger	\$ 4.35	\$ 5.61	\$ 7.61	\$ 8.16	\$ 8.28
Total outstanding Bonds per enplaned passenger	\$ 85.91	\$ 89.84	\$ 107.98	\$ 125.94	\$ 112.27

- (1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from fiscal year 2003 to fiscal year 2006.
- (2) The substantial increase in net PFC collections in fiscal year 2006 reflects an increase in the PFC to \$4.50 per passenger, from \$3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.
- (4) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Authority's Board on May 17, 2007.
- (5) Less accrued interest from June 1, 1999 to June 16, 1999 in the amount of \$528,464 in fiscal year 2000.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

Source: Authority's accounting reports

MASSACHUSETTS PORT AUTHORITY
Statistical Section

.....
Calculation of Debt Service Coverage and Debt Metrics
Under Both the 1978 Trust Agreement and the 1999 PFC Trust Agreement, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1978 Trust Agreement					
Net Revenue	\$ 200,042	\$ 216,453	\$ 237,511	\$ 252,454	\$ 223,797
Debt Service - Principal	35,210	41,575	45,465	48,140	50,780
Debt Service - Interest	48,088	65,216	60,018	61,767	55,889
Credits to Debt Service (1)	(6,492)	(13,858)	(7,057)	-	-
Annual Debt Service	<u>\$ 76,806</u>	<u>\$ 92,934</u>	<u>\$ 98,426</u>	<u>\$ 109,907</u>	<u>\$ 106,669</u>
Debt Service Coverage	2.60	2.33	2.41	2.30	2.10
1999 PFC Trust Agreement					
Net PFC Revenue (2)	\$ 35,937	\$ 49,589	\$ 58,442	\$ 54,746	\$ 50,699
Debt Service - Principal	10,425	10,945	11,435	15,540	16,540
Debt Service - Interest	11,118	10,601	8,374	11,771	10,648
Credits to Debt Service (3)	(1,329)	(1,305)	(1,318)	(2,153)	(2,758)
Annual Debt Service	<u>\$ 20,213</u>	<u>\$ 20,241</u>	<u>\$ 18,490</u>	<u>\$ 25,158</u>	<u>\$ 24,430</u>
Debt Service Coverage (4)	1.78	2.45	3.16	2.18	2.08
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 5.74	\$ 6.80	\$ 7.10	\$ 8.07	\$ 8.57
1978 Trust Agreement Bonds Outstanding	\$ 1,348,045	\$ 1,306,370	\$ 1,314,700	\$ 1,292,940	\$ 1,241,780
1978 Trust Agreement Bonds per enplaned passenger	\$ 100.74	\$ 95.62	\$ 94.80	\$ 94.97	\$ 99.72
1999 PFC Trust Agreement Debt Service per enplaned passenger	\$ 1.51	\$ 1.48	\$ 1.33	\$ 1.85	\$ 1.96
1999 PFC Trust Agreement Bonds Outstanding	\$ 201,285	\$ 190,340	\$ 224,850	\$ 209,310	\$ 192,770
1999 PFC Trust Agreement Bonds per enplaned passenger	\$ 15.04	\$ 13.93	\$ 16.21	\$ 15.37	\$ 15.48
Total annual Debt Service per enplaned passenger	\$ 7.25	\$ 8.28	\$ 8.43	\$ 9.92	\$ 10.53
Total outstanding Bonds per enplaned passenger	\$ 115.79	\$ 109.56	\$ 111.02	\$ 110.35	\$ 115.20

- (1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from fiscal year 2003 to fiscal year 2006.
- (2) The substantial increase in net PFC collections in fiscal year 2006 reflects an increase in the PFC to \$4.50 per passenger, from \$3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.
- (4) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Authority's Board on May 17, 2007.
- (5) Less accrued interest from June 1, 1999 to June 16, 1999 in the amount of \$528,464 in fiscal year 2000.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

Source: Authority's accounting reports

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Massachusetts Port Authority
Statistical Section

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Largest Private Sector Employers
(Listed in alphabetical order)
.....

S-7 Massachusetts' Largest Employers

Employer	Headquarters	Product or Service	
Bay State Medical Center, Inc.	Springfield	Hospital	(2)
Beth Israel Deaconess Medical Center	Boston	Hospital	(2)
Boston Medical Center Corporation	Boston	Hospital	(3)
Boston University	Boston	University	(3)
Brigham and Women's Hospital, Inc.	Boston	Hospital	(1)
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	(1)
EMC Corporation	Hopkinton	Computer Storage & Peripherals	(2)
General Hospital Corporation	Boston	Hospital	(1)
Massachusetts Institute of Technology	Cambridge	University	(2)
New England Medical Center	Boston	Hospital	(3)
President and Fellows of Harvard College	Boston	University	(2)
Raytheon Company	Lexington	Electronics / Defense	(2)
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	(2)
Southcoast Hospitals Group	New Bedford	Hospital	(2)
State Street Corp.	Boston	Banking	(2)
The Children's Hospital Corporation	Boston	Hospital	(2)
Tufts University	Boston	University	(3)
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	(2)
Verizon New England, Inc.	Boston	Telecommunications	(1)

Sources: Massachusetts Department of Unemployment Assistance- March 2008 survey. In addition, Bank of America N.A., Home Depot USA, Inc., ICVS Corporation, S&S Credit Company, Inc., Target Corp., United Parcel Service, Inc. and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York.

(1) Employers with 10,000 + employees, (2) employers with 5,000-9,999 employees, (3) employers with less than 5,000 employees.
Source - Mass.Gov/Labor and Workforce Development/the official website of the Executive Office of Labor and Workforce Development (EOLWD). Employer web sites.

**Massachusetts Port Authority
Statistical Section**

.....
Demographics and Employment Data
Calendar Years Ended 1999 through 2008
.....

S-8 Demographics and Employment Data

Boston Metropolitan Statistical Area (1)	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Population	4,369,743	4,402,149	4,441,675	4,456,374	4,456,379
Total personal income (in millions)	\$162,637	\$182,380	\$188,442	\$188,434	\$190,708
Per capita personal income	\$37,219	\$41,430	\$42,426	\$42,284	\$42,794
Unemployment rate (annual average)	3.0%	2.6%	3.6%	5.3%	5.7%

Employment By Industry

Industry Type (In thousands)

Educational and Health Services	408.0	407.1	411.6	421.5	425.3
Trade, Transportation and Utilities	441.5	449.6	444.6	433.1	426.4
Professional and Business Services	393.2	417.2	409.6	382.5	368.0
Government	295.3	301.5	303.0	301.5	297.4
Manufacturing	294.0	297.2	286.0	255.6	237.6
Leisure and Hospitality	194.4	196.7	198.5	203.0	203.9
Financial Activities	189.2	191.7	195.5	191.9	186.6
Construction	88.4	96.7	103.1	104.1	100.4
Other Services	82.5	84.4	86.1	87.0	86.3
Information	86.3	95.9	95.8	84.5	77.2
Total	2,472.8	2,538.0	2,533.8	2,464.7	2,409.1

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

**Massachusetts Port Authority
Statistical Section**

.....
Demographics and Employment Data, Con't
Calendar Years Ended 1999 through 2008
.....

S-8 Demographics and Employment Data

Boston Metropolitan Statistical Area (1)	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Population	4,453,964	4,454,959	4,467,233	4,492,338	4,522,858
Total personal income (in millions)	\$200,371	\$209,954	\$225,661	\$240,085	\$248,863
Per capita personal income	\$44,987	\$47,128	\$50,515	\$53,443	\$55,023
Unemployment rate (annual average)	5.0%	4.5%	4.6%	4.1%	5.3%
Employment By Industry					
<u>Industry Type (In thousands)</u>					
Educational and Health Services	430.9	437.8	449.5	463.9	575.7
Trade, Transportation and Utilities	423.0	421.2	419.7	419.1	401.3
Professional and Business Services	376.4	386.0	396.7	408.3	395.0
Government	293.1	294.9	297.2	299.1	312.5
Manufacturing	230.3	226.5	223.3	222.0	182.7
Leisure and Hospitality	206.3	208.7	212.1	216.7	202.7
Financial Activities	183.2	186.2	188.4	189.4	176.5
Construction	100.6	101.3	101.9	99.3	91.8
Other Services	85.8	86.4	87.2	88.4	87.5
Information	73.7	73.9	74.3	74.7	76.7
Total	2,403.3	2,422.9	2,450.3	2,480.9	2,502.4

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

**Massachusetts Port Authority
Statistical Section**

.....
Number of Employees by Facility
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-9 Number of Employees by Facility (1):

<u>Facility</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Tobin Bridge	56	57	51	49	53
Logan Airport	682	692	633	606	633
Hanscom Field	18	20	17	19	19
Maritime	90	92	124	114	104
General Administration	347	355	273	265	276
Total Employees	<u>1,193</u>	<u>1,216</u>	<u>1,098</u>	<u>1,053</u>	<u>1,085</u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2009, there were 143 State Police positions assigned to the Authority.

Source: Authority-Wide Vacancy report

**Massachusetts Port Authority
Statistical Section**

.....
Number of Employees by Facility, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-9 Number of Employees by Facility (1):

<u>Facility</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tobin Bridge	53.0	54.5	54.5	53.5	51.5
Logan Airport	691.0	692.0	702.0	705.0	705.5
Hanscom Field	19.0	18.0	19.0	18.0	18.0
Maritime	109.0	111.0	112.5	116.0	119.0
General Administration	286.5	274.5	281.0	297.0	271.0
Total Employees	<u><u>1,158.5</u></u>	<u><u>1,150.0</u></u>	<u><u>1,169.0</u></u>	<u><u>1,189.5</u></u>	<u><u>1,165.0</u></u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2009, there were 143 State Police positions assigned to the Authority.

Source: Authority-Wide Vacancy report

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2000 through June 30, 2009

S-10 Logan International Airport Activity:

	2000	2001	2002	2003	2004
Aircraft Operations (1)					
Domestic (2)	247,979	247,298	197,844	190,609	184,836
International (3)	43,414	48,699	39,883	39,234	39,799
Regional	162,062	167,820	145,749	123,702	132,496
General Aviation	40,371	31,687	25,524	27,880	28,890
Total Operations	493,826	495,504	409,000	381,425	386,021
Aircraft Landed Weights (1,000 pounds) (4)	23,878,000	24,324,000	19,872,000	19,576,000	19,864,000
Passengers Traffic					
Domestic (2)					
Enplaned	10,510,792	10,135,550	8,052,257	8,284,960	8,919,352
Deplaned	10,514,006	10,194,716	8,088,769	8,304,108	8,952,770
International (3)					
Enplaned	2,202,592	2,377,178	1,904,246	1,906,562	2,040,079
Deplaned	2,170,689	2,335,959	1,889,185	1,919,516	2,047,766
Regional					
Enplaned	1,086,632	1,145,938	1,069,742	1,058,709	1,276,296
Deplaned	1,058,307	1,140,587	1,047,558	1,042,212	1,240,351
Subtotal	27,543,018	27,329,928	22,051,757	22,516,067	24,476,614
General Aviation					
Enplaned	64,269	57,985	46,302	47,072	43,234
Deplaned	53,878	55,369	45,051	45,471	42,920
Total Passengers	27,661,165	27,443,282	22,143,110	22,608,610	24,562,768
Total Enplaned Passengers	13,800,016	13,658,666	11,026,245	11,250,231	12,235,727
Average Passengers Per Flight					
Domestic (2)	84.8	82.2	81.6	87.0	96.7
International (3)	100.7	96.8	95.1	97.5	102.7
Regional	13.2	13.6	14.5	17.0	19.0
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	Delta	Delta	Delta
Primary carrier market share	19.7%	18.8%	19.4%	19.2%	18.0%
Two top carriers market share	38.5%	36.1%	36.9%	36.8%	35.5%
Origination & destination share (1) & (5)	NA	NA	87.7% (6)	NA	88.0% (7)
Compensatory airline payments to Massport per enplaned passenger	\$6.72	\$7.10	\$8.26	\$10.22	\$11.42
Logan Airport revenue per enplaned passenger	\$18.71	\$19.77	\$23.19	\$26.33	\$27.39
Total Cargo & Mail (1,000 pounds)	1,040,877	980,385	842,249	817,843	809,179

(1) Includes all-cargo flights, but excludes helicopters

(2) Includes jet and charter

(3) Includes jet, charter and international commuter

(4) Excludes GA and non-tenant

(5) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.

(6) Data for six months ended June 30, 2002.

(7) Data for twelve months ended September 30, 2004.

(8) Data for twelve months ended September 30, 2006.

(9) Data for twelve months ended September 30, 2007.

Source: Authority reports

Massachusetts Port Authority
Statistical Section

.....
Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-10 Logan International Airport Activity:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Aircraft Operations (1)					
Domestic (2)	210,357	206,426	214,441	207,693	190,271
International (3)	39,554	36,772	37,368	39,094	34,919
Regional	131,074	128,337	126,097	115,529	109,208
General Aviation	<u>32,352</u>	<u>31,016</u>	<u>30,716</u>	<u>27,724</u>	<u>16,690</u>
Total Operations	<u>413,337</u>	<u>402,551</u>	<u>408,622</u>	<u>390,040</u>	<u>351,088</u>
Aircraft Landed Weights (1,000 pounds) (4)	20,822,000	20,376,000	20,408,164	19,905,370	18,741,720
Passengers Traffic					
Domestic (2)					
Enplaned	9,880,689	10,292,917	10,438,225	10,223,459	9,314,138
Deplaned	9,937,869	10,324,060	10,485,949	10,279,164	9,344,673
International (3)					
Enplaned	2,129,374	2,071,481	1,995,778	2,064,293	1,868,603
Deplaned	2,117,983	2,071,740	2,013,591	2,100,097	1,884,406
Regional					
Enplaned	1,371,024	1,297,303	1,433,466	1,326,073	1,270,475
Deplaned	<u>1,307,858</u>	<u>1,272,474</u>	<u>1,432,862</u>	<u>1,322,741</u>	<u>1,272,569</u>
Subtotal	<u>26,744,797</u>	<u>27,329,975</u>	<u>27,799,871</u>	<u>27,315,827</u>	<u>24,954,864</u>
General Aviation					
Enplaned	60,687	58,315	58,852	54,029	32,606
Deplaned	<u>60,687</u>	<u>58,315</u>	<u>58,852</u>	<u>54,029</u>	<u>32,606</u>
Total Passengers	<u>26,866,171</u>	<u>27,446,605</u>	<u>27,917,575</u>	<u>27,423,885</u>	<u>25,020,076</u>
Total Enplaned Passengers	<u>13,381,087</u>	<u>13,661,701</u>	<u>13,867,469</u>	<u>13,613,825</u>	<u>12,453,216</u>
Average Passengers Per Flight					
Domestic (2)	94.2	99.9	97.6	98.7	98.1
International (3)	107.4	112.7	107.3	106.5	107.5
Regional	20.4	20.0	22.7	22.9	23.3
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	US Airways	American	JetBlue
Primary carrier market share	17.0%	15.0%	13.8%	14.1%	14.7%
Two top carriers market share	33.2%	30.0%	27.6%	27.6%	28.8%
Origination & destination share (1) & (5)	NA	NA	87.7% (8)	88.4% (9)	NA
Compensatory airline payments to Massport per enplaned passenger	\$11.56	\$12.97	\$13.18	\$14.30	\$15.66
Logan Airport revenue per enplaned passenger	\$27.52	\$29.03	\$30.29	\$33.04	\$34.96
Total Cargo & Mail (1,000 pounds)	796,252	759,326	680,079	644,552	571,186

(1) Includes all-cargo flights, but excludes helicopters

(2) Includes jet and charter

(3) Includes jet, charter and international commuter

(4) Excludes GA and non-tenant

(5) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.

(6) Data for six months ended June 30, 2002.

(7) Data for twelve months ended September 30, 2004.

(8) Data for twelve months ended September 30, 2006.

(9) Data for twelve months ended September 30, 2007.

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
**Logan International Airport
Market Share of Total Passenger Traffic
Current Year and Nine Years Ago**
.....

S-11 Passenger Traffic Market Shares

Air Carrier	Fiscal Year 2009		Fiscal Year 2000	
	Passenger	%	Passenger	%
JetBlue Airways Corp. (4)	3,671,809	14.7%	NA	NA
American Airlines, Inc. (1)	3,527,316	14.1%	3,611,850	13.1%
US Airways, Inc. (2)	3,163,269	12.6%	4,271,454	15.4%
Delta Air Lines, Inc.	2,745,200	11.0%	5,421,245	19.6%
Regional Carriers (3)	2,722,848	10.9%	2,050,315	7.4%
Foreign Flag	2,591,950	10.4%	2,842,693	10.3%
United Air Lines, Inc.	2,277,988	9.1%	2,892,499	10.5%
Northwest Airlines, Inc.	1,232,781	4.9%	1,535,051	5.5%
AirTran Airlines, Inc.	1,228,217	4.9%	226,758	0.8%
Continental Airlines, Inc.	1,135,232	4.5%	1,604,306	5.8%
Others	723,466	2.9%	2,207,074	8.0%
America West Airlines, Inc.	NA	NA	447,290	1.6%
Trans World Airlines, Inc.	NA	NA	550,630	2.0%
Total	25,020,076	100.0%	27,661,165	100.0%

(1) American Airlines acquired Trans World Airlines during 2001.

(2) America West Airlines acquired US Airways and changed its name to US Airways during 2005.

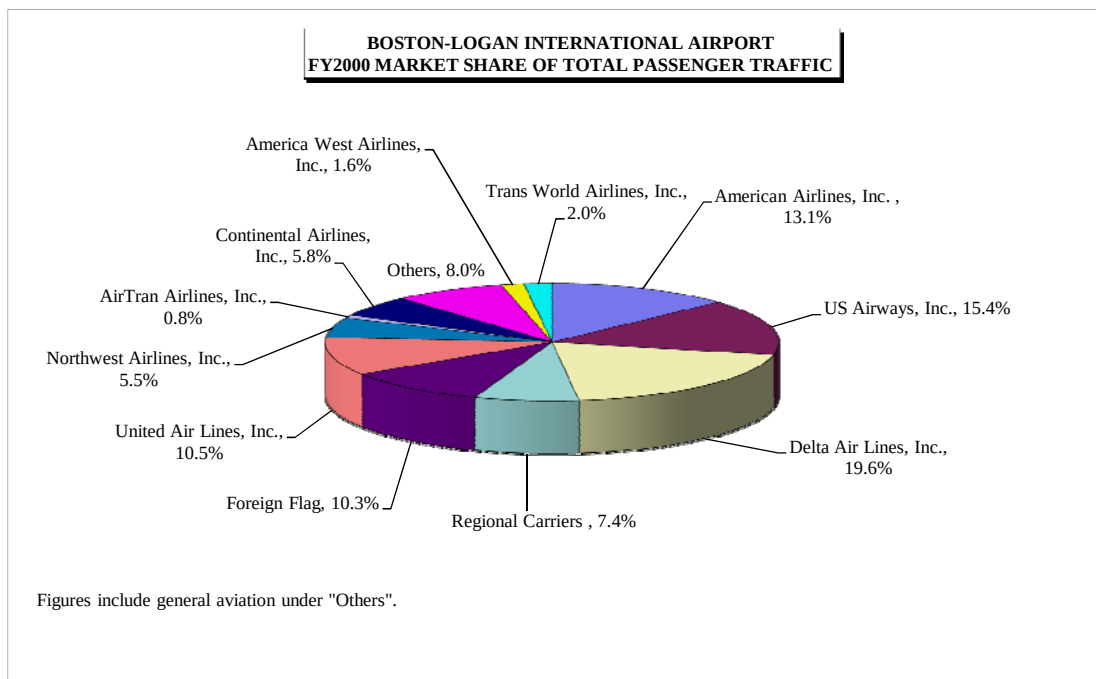
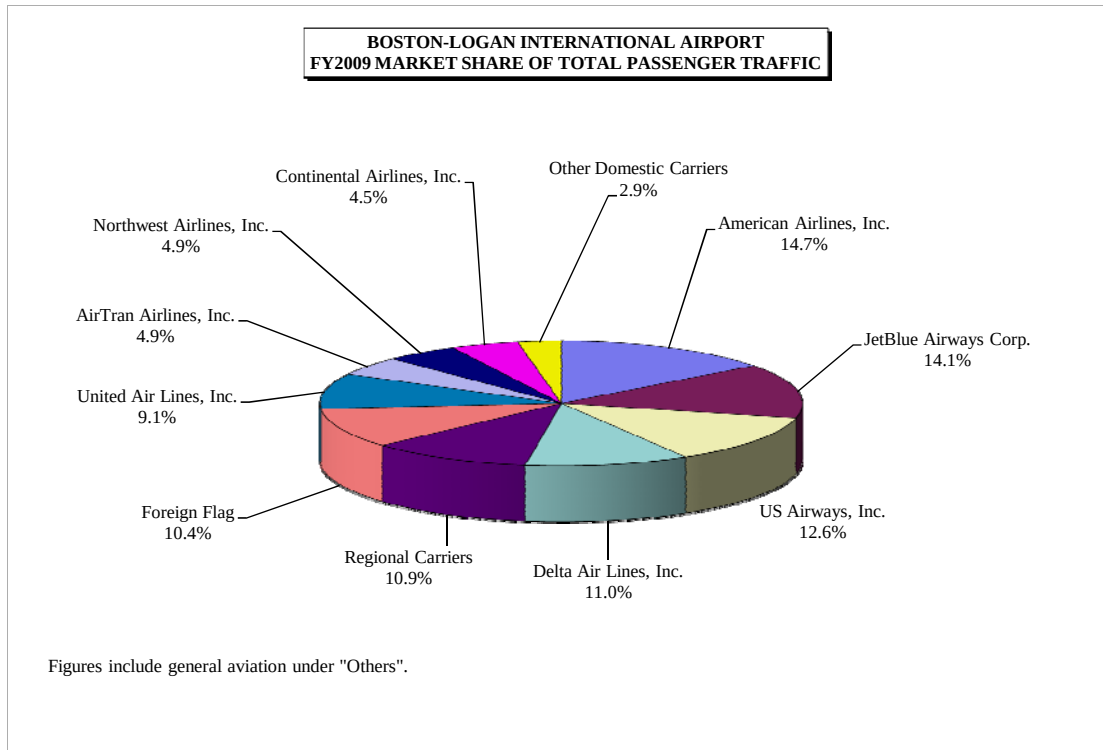
(3) These figures for passengers traveling on U.S. flag regional carriers include passengers traveling internationally.

(4) JetBlue Airways commenced service at Logan Airport in January 2004.

Massachusetts Port Authority
Statistical Section

Logan International Airport
Market Share of Total Passenger Traffic, Con't
Current Year and Nine Years Ago

S-11 Passenger Traffic Market Share -Charts



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Massachusetts Port Authority
Statistical Section

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Logan International Airport
Passenger Markets
Calendar Year 2008 and Nine Years Ago
.....

S-12 Logan International Airport - Passenger Markets

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2008, as reported by the United States Department of Transportation ("DOT"). International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for calendar year 1999.

Market	Calendar 2008 Percentage	Calendar 2008 Rank	Calendar 1999 Rank
Washington D.C.	8.5%	1	2
New York, New York / Newark, New Jersey	7.4%	2	1
San Francisco, California	5.7%	3	3
Los Angeles, California	5.2%	4	7
Florida South *	5.1%	5	5
Chicago, Illinois	4.8%	6	8
Orlando, Florida	4.7%	7	4
Atlanta, Georgia	4.1%	8	6
Tampa, Florida	2.3%	9	11
Fort Myers, Florida	2.3%	10	16
Dallas, Texas	2.2%	11	10
Denver, Colorado	2.2%	12	12
West Palm Beach, Florida	2.1%	13	14
Las Vegas, Nevada	2.0%	14	15
Minneapolis - St. Paul, Minnesota	1.8%	15	13
Seattle, Washington	1.7%	16	18
Charlotte, North Carolina	1.6%	17	25
San Diego, California	1.6%	18	24
Raleigh-Durham, North Carolina	1.5%	19	22
San Juan, Puerto Rico	1.5%	20	21
Philadelphia, Pennsylvania			9
Detroit, Michigan			17
Houston, Texas			19
Pittsburgh, Pennsylvania			20
 Total for Cities Listed	 68.3%		

* Florida South consists of Miami and Fort Lauderdale

Source: UMB Aviation Worldwide

**Massachusetts Port Authority
Statistical Section**

.....
**Port of Boston
Cargo and Passenger Activity**
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Containers (1)	83,407	74,901	72,537	86,149	93,627
Cruise Passengers	156,769	186,070	246,539	207,254	200,836
Automobiles (2)	87,973	89,348	80,070	29,559	12,198
Bulk Tonnage	168,600	158,705	207,583	162,824	144,304

(1) Does not include over-the-road volumes.

(2) Includes vehicles entered by over-the-road means through September 1998;
does not include vehicles entered by over-the-road means after September 1998.

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
Port of Boston
Cargo and Passenger Activity, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Containers (1)	103,631	111,020	116,156	124,122	114,871
Cruise Passengers	192,869	246,365	200,998	236,922	275,407
Automobiles (2)	10,657	11,170	10,252	15,546	26,966
Bulk Tonnage	189,517	202,681	188,311	206,494	167,881

(1) Does not include over-the-road volumes.

(2) Includes vehicles entered by over-the-road means through September 1998;
does not include vehicles entered by over-the-road means after September 1998.

Source: Authority reports

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Massachusetts Port Authority

Statistical Section

Port of Boston

Principal Customers

Current Year and Nine Years Ago

S-14 Port of Boston Principal Customers

Fiscal Year 2009

Direct Service

China Ocean Shipping Co.
CMA-CGM
Columbia Coastal Transport
Hanjin Shipping
K-Line
Mediterranean Shipping Corp.
Yang Ming Line

Shipping Lines

China Ocean Shipping Co
Chilean Line
CMA-CGM
Evergreen
Hanjin
Hapag Lloyd
Hatsu
K Line
Maersk
Mediterranean Shipping Co.
NYK Line
OOCL
Safmarine
Yang Ming
Zim Line

Cruise Lines

Carnival
Celebrity Cruises
Crystal Cruises
Cunard
Hapag Lloyd
Holland America
Norwegian Cruise Line
P&O
Phoenix Seereisen
Princess Line
Royal Caribbean
Saga Holidays
Silversea Cruise

Large Customs House Brokers

A.N. Deringer
Albatrans, Inc.
BDP International, Inc.
Boston Bay Brokers Inc.
C.H. Powell Company
DHL Danzas
Dolliff & Company, Inc.
Dynasty International, Inc.
EGL Eagle Global Logistics
Expeditors Int'l
Fedex Trade Networks
Hellmann Worldwide Logistics, Inc.
J.F. Moran Co., Inc.
Kuehne & Nagel, Inc.
Liberty International
Magic Customs Brokers, Inc.
OceanAir, Inc.
Panalpina, Inc.
Savino Del Bene, Inc.
Schenker International, Inc.
UPS Supply Chain Solutions

Fiscal Year 2000

Shipping Lines

Alianca
American Pres. Line
Cho Yang
Columbia Coastal
Columbus Line
China Ocean
Evergreen America
Hanjin
Hapag Lloyd
Hoegh
Hyundai
Italian Lines
Mediterranean Shipping Co.
Mitsui Osk Line
NYK Line
SPM
Volkswagon
Yang Ming
Zim Container

Cruise Lines

Clipper Cruise Lines
Cunard
Holland America
Moran/Premier Cruise Line
Norwegian Cruise Line
Princess Cruise
Royal Caribbean Cruise Line
Seaborne Cruise Line
Silversea Cruise

Large Customs House Brokers

AEI-Radix
C.H. Powell Company
Circle
Kuehne & Nagel, Inc.
Moran Shipping
Peabody & Lane
Tower Group

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
Tobin Memorial Bridge
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-15 Bridge Statistics (In-Bound)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Tobin Bridge Toll	\$1.00	\$1.00	\$2.00	\$2.00	\$3.00 (3)
Class 1 - Passenger vehicles					
Class 1	10,025,617	10,898,566	10,218,593	9,817,665	9,427,512
Passenger (1)					
Resident:	<u>395,526</u>	<u>388,815</u>	<u>391,961</u>	<u>512,014</u>	<u>585,811</u>
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	10,421,143	11,287,381	10,610,554	10,329,679	10,013,323
Class 2 - 6	<u>821,852</u>	<u>990,900</u>	<u>924,235</u>	<u>909,273</u>	<u>885,858</u>
Commercial (2)					
Total Paying Vehicles	11,242,995	12,278,281	11,534,789	11,238,952	10,899,181
Massachusetts Bay					
Transportation Authority	67,471	68,358	54,620	30,883	23,302
(MBTA)					
Other Non-Revenue Vehicles	<u>41,425</u>	<u>43,264</u>	<u>43,878</u>	<u>48,183</u>	<u>61,827</u>
Total Non-Paying Vehicles	108,896	111,622	98,498	79,066	85,129
Total Vehicles	<u><u>11,351,891</u></u>	<u><u>12,389,903</u></u>	<u><u>11,633,287</u></u>	<u><u>11,318,018</u></u>	<u><u>10,984,310</u></u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll.

This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

Source: Authority reports

**Massachusetts Port Authority
Statistical Section**

.....
Tobin Memorial Bridge, Con't
Fiscal Years Ended June 30, 2000 through June 30, 2009
.....

S-15 Bridge Statistics (In-Bound)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tobin Bridge Toll	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Class 1 - Passenger vehicles					
Class 1	8,164,954	8,384,939	9,203,180	8,988,012	8,526,559
Passenger (1)					
Resident:	<u>648,510</u>	<u>695,357</u>	<u>655,520</u>	<u>702,354</u>	<u>739,921</u>
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	8,813,464	9,080,296	9,858,700	9,690,366	9,266,480
Class 2 - 6	<u>796,425</u>	<u>862,845</u>	<u>1,031,598</u>	<u>979,516</u>	<u>901,558</u>
Commercial (2)					
Total Paying Vehicles	9,609,889	9,943,141	10,890,298	10,669,882	10,168,038
Massachusetts Bay					
Transportation Authority	48,231	54,460	68,143	74,289	70,609
(MBTA)					
Other Non-Revenue Vehicles	<u>65,093</u>	<u>44,039</u>	<u>39,463</u>	<u>48,012</u>	<u>56,729</u>
Total Non-Paying Vehicles	113,324	98,499	107,606	122,301	127,338
Total Vehicles	<u><u>9,723,213</u></u>	<u><u>10,041,640</u></u>	<u><u>10,997,904</u></u>	<u><u>10,792,183</u></u>	<u><u>10,295,376</u></u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll.

This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

Source: Authority reports

Massachusetts Port Authority

Statistical Section

Insurance Coverage

Fiscal Year Ended June 30, 2009

S-16 Insurance Coverage

POLICY - 7/01/08 - 6/30/2009	BROKER / UNDERWRITER	LIMITS	RETENTION / UNDERLYING
PROPERTY INSURANCE			
All Risk Property Insurance including Boiler & Mach., Contractor's Equip. & Bus. Int. Tobin Bridge Use & Occupancy	FM Global	\$500,000,000	\$250,000
Property Terrorism Coverage	Willis / Lloyd's of London	\$150,000,000	\$100,000
Hull Insurance - 8 scheduled vessels including: Fireboat and State Police Patrol Boat Including Terrorism Coverage	FM Global	\$500,000,000	\$250,000
	Customhouse Marine / CNA	Agreed Value	\$15,000
LIABILITY INSURANCE			
Aviation General Liability Airport Terrorism Coverage Primary and Excess Deductible for non-airside auto losses only	Wells Fargo / Global Aerospace	\$500,000,000	\$250,000
Comprehensive Marine Liability Terminal Operator's Liability Including Port & Stevedore Liability Bridge General Liability Primary and Excess Including Terrorism	HUB International / Starr Marine	\$50,000,000	\$100,000
Automobile Liability For Fleet & Buses Comprehensive & Collision Deductible	Willis / Liberty Mutual	\$5,000,000	\$1000-\$5000
WORKERS' COMPENSATION			
Stevedores Workers' Comp - USL&H -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$0
Stevedores Workers' Comp - State Act -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$0
Excess Workers' Compensation	HUB International / AIG	Statutory \$1,000,000	\$750,000
Self-Insurer's WC Bond	HUB International / Travelers	\$3,500,000	\$0
OTHER COVERAGE			
Crime, Dishonesty Burglary and Robbery	Marsh USA, Inc. / Hartford	\$3,000,000	\$100,000

Massachusetts Port Authority

Statistical Section

Physical Asset Data

Fiscal Year Ended June 30, 2009

S-17 List of Certain Physical Asset Characteristics

Tobin Memorial Bridge

Structure - double-decked (overall length (feet))	9,450
Capacity (number of traffic lanes each direction)	3

Logan Airport

Area of Airport (acres - approximate)	2,400
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Runways

Runway 15R/33L (length in feet)	10,081
Runway 4R/22L (length in feet)	10,005
Runway 22R/4L (length in feet)	7,860
Runway 9/27 (length in feet)	7,000
Runway 33R/15L (length in feet)	2,557
Runway 14/32 (length in feet)	5,000

Terminal Buildings

Terminal A (number of jet contact gates)	22
Terminal B (number of jet contact gates)	35
Terminal C (number of jet contact gates)	27
Terminal E (number of jet contact gates)	13

Parking

Number of commercial and employee parking spaces	20,615
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Cargo Facilities (square feet)

440,000

Hanscom Field

Area of Airport (acres - approximate)	1,300
---------------------------------------	-------

Runways

Runway 11/29 (length in feet)	7,000
Runway 5/23 (length in feet)	5,100

Port of Boston

Conley Terminal (101 acres)

Berth 11 (length in feet)	1,000
Berth 12 (length in feet)	1,000
Berth 14 (length in feet)	500
Berth 15 (length in feet)	500

Moran Terminal (64 acres)

Berth 1 (length in feet)	1,000
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Black Falcon Terminal

10 berths (length in feet (each))	500
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Commercial Real Estate (approximate acres)

60

Source: Authority reports

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Award Winning Snow Removal

For the second time in four years, crews at Boston Logan International Airport were winners of the prestigious Balchen/Post Award for Outstanding Achievement in Airport Snow and Ice Control. Crews at Hanscom Field were also given honorable mention honors. Named for famed aviators Wiley Post and Bernt Balchen, the snow award is given each year by the New England Chapter of AAAE at its Annual International Aviation Snow Symposium in Buffalo. Logan's snow crews also won the Balchen/Post award for their work during the winter of 2004-2005, New England's 5th snowiest on record.

**STATEMENT OF
ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2009**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 20, 2009 (the “Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement, dated as of August 1, 1997 (the “Continuing Disclosure Agreement”), between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”), and the Trust Agreement dated as of May 1, 1997 between the Authority and the Trustee relating to the BOSFUEL Bonds (as defined below). Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2009 (“fiscal year 2009”) updating the financial information and operating data presented in the Authority’s Statement of Annual Financial Information and Operating Data dated as of December 10, 2008 (the “2008 Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority’s Official Statements dated June 19, 2008 and July 1, 2008 (together, the “2008 Official Statements”). This Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 20, 2009 (the “CAFR”) for fiscal year 2009 and the remaining sections of the CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2009 and comparative information for fiscal year 2008, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as the financial section of the CAFR. The 2008 Official Statements and the 2008 Annual Disclosure Statement are each on file with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”). For a more complete description of the Authority and the Bonds, reference is made to the 2008 Official Statement.

This Annual Disclosure Statement applies to the following outstanding Series of Bonds issued by the Authority (collectively, the “Bonds”):

Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (Non-AMT)
Massachusetts Port Authority Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2008-B (AMT)
Massachusetts Port Authority Revenue Bonds, Series 2007-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2007-C (AMT)
Massachusetts Port Authority Revenue Bonds, Series 2005-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2005-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 2003-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 2003-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1999-C (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1999-D (AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-A (Non-AMT)
Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-B (AMT)
Massachusetts Port Authority Taxable Revenue Refunding Bonds, Series 1998-C
Massachusetts Port Authority Revenue Bonds, Series 1998-D (Non-AMT)
Massachusetts Port Authority Revenue Bonds, Series 1998-E (AMT)
Massachusetts Port Authority Revenue Bonds, Series 1997-B

Massachusetts Port Authority Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007

The Authority has issued and outstanding 17 series of bonds pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the “1978 Trust Agreement”) between the Authority and the Trustee as of the date hereof. Please see footnote F of the Authority’s financial statements as of June 30, 2009 for more detailed information. On July 9, 2008, the Authority issued \$38,015,000 of Series 2008-C Bonds (Non-AMT) to refund the 1997-C Bonds and a portion of the 1998-A Bonds. On June 19, 2008, the Authority issued \$24,285,000 of Series 2008-A Multi-Modal Revenue Bonds (Non-AMT) and \$100,920,000 of Series 2008-B Multi-Modal Revenue Refunding Bonds (AMT). The Series 2008-A Bonds were used to purchase airport roadways associated with the Central Artery/Tunnel project and to repay \$13,000,000 of commercial paper indebtedness. The Series 2008-B Bonds were used to refund all outstanding Series 2003-B Bonds and Series 2005-B Bonds, which comprised all of the Authority’s outstanding auction rate securities. The Series 2008-A Bonds and Series 2008-B Bonds were issued as variable rate debt with interest rates that reset weekly. The Series 2008-A Bonds and Series 2008-B Bonds are supported by a direct-pay Letter of Credit issued by the Bank of America, N.A. The Authority has issued six series of its Subordinated Revenue Bonds, outstanding in the aggregate principal amount of \$74,000,000 (collectively, the “Subordinated Revenue Bonds”). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

The Authority also has issued and outstanding three series of PFC Revenue Bonds (collectively the “PFC Bonds”) issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”). Please see footnote F of the Authority’s financial statements as of June 30, 2009 for more detailed information. Pursuant to the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon, the Authority is also including as part of the CAFR its Statement of PFC Annual Financial Information and Operating Data for fiscal year 2009 (the “2009 PFC Disclosure Statement”) with respect to the PFC Bonds.

On May 15, 1997, the Authority issued its \$111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the “1997 BOSFUEL Bonds”). On July 12, 2007, the Authority issued its \$106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the “2007 BOSFUEL Bonds”). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

For additional information concerning the Authority, please see the Authority’s website, www.massport.com. Financial information can be found in the Investor Relations section of the Authority’s website at http://www.massport.com/about/about_inves.html. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2009 are available at <http://www.emma.msrb.org> or from the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicus, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

Annual Disclosure Statement

This Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the 1978 Trust Agreement, and not on the basis of GAAP.*** For a comparison of the Authority's financial results under the 1978 Trust Agreement and GAAP, please refer to Table S-4 (Conversion of GAAP Revenues and Expenses to 1978 Trust Agreement Revenues and Expenses) set forth in the statistical section of the CAFR. The information set forth herein does not contain all material information concerning the Bonds or the Authority necessary to make an informed investment decision. This Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

This Annual Disclosure Statement is submitted pursuant to the Continuing Disclosure Agreement and the obligations of the Authority entered into in connection with the BOSFUEL Bonds. The intent of the Authority's undertaking under the Continuing Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the Continuing Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the Continuing Disclosure Agreement, the Authority has agreed with respect to the Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the 1978 Trust Agreement, and notices of material events. In addition, in connection with the issuance of the BOSFUEL Bonds, the Authority undertook a limited obligation to provide annual updated data with respect to certain information regarding the Airport. The Authority reserves the right to modify the disclosure required under the Continuing Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the Continuing Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the 1978 Trust Agreement or any other instrument relating to the Bonds.

UPDATED OPERATING INFORMATION

Airport Properties

Boston-Logan International Airport (the "Airport") continues to be the principal source of the Authority's Revenues, Net Revenues and net income, and is the dominant factor in the determination of the Authority's financial condition. In fiscal year 2009, the Airport accounted for 77.9% of the Authority's Revenues and 84.4% of the Authority's Net Revenues, as defined in the 1978 Trust Agreement. For additional information regarding activities at the Airport Properties during fiscal year 2009, please refer to pages 2-3 of the Letter of Transmittal to the CAFR and to Exhibits S-10, S-11 and S-12 presented in the statistical section. Exhibit S-10 summarizes Airport traffic statistics for the ten most recent fiscal years.

Logan Airport plays a leading role in New England's air service infrastructure. In calendar year 2008, based upon total passenger volume, Logan Airport was the most active in New England, the 19th most active in the United States and the 45th most active in the world, according to the Airports Council International ("ACI"). Enplaned plus deplaned passengers at the Airport for fiscal year 2009 totaled approximately 25.0 million passengers. This is a 8.8% decrease from the 27.4 million passengers that used the Airport in fiscal year 2008.

The primary destinations of passengers using the Airport for calendar year 2008 were: 17.2% to Florida, 9.0% to the New York/New Jersey area, and 8.5% to Washington, DC. The proportion of domestic passengers traveling to the West Coast cities of California was 12.8%.

In fiscal year 2009, international passengers (including those traveling on foreign flag and regional carriers) accounted for 15.0% of passenger traffic, or approximately 3.8 million passengers. The shares of international passengers at the Airport were 69.2% for Europe and the Middle East, 13.0% for Canada, and 17.8% for Bermuda and the Caribbean. In fiscal year 2009, the top five international origin-destination markets were London, Paris, Toronto, Frankfurt and Amsterdam. International passenger traffic decreased by 9.9% in fiscal year 2009, grew by 3.9% in fiscal year 2008 and decreased by 3.2% in fiscal year 2007.

In fiscal year 2009, regional airlines accounted for approximately 10.2% of total passenger traffic at the Airport, or approximately 2.5 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 4.0% and 7.6% in fiscal years 2009 and 2008 respectively, and grew by 11.5% in fiscal year 2007. As of June 30, 2009, the top five regional airlines were COMAIR Delta Connection with 28.6% of domestic regional passengers, followed by Air Wisconsin Airlines Corporation with 23.1%, Republic-US Air Express with 11.0%, American Eagle Airlines, Inc. with 10.6% and Hyannis Air Service, Inc. d/b/a Cape Air with 6.5% of domestic regional passengers.

During fiscal year 2009, low-cost carriers handled 21.0% of the Airport's passengers. As of June 30, 2009, the low-cost carriers providing service at the Airport were AirTran Airways, jetBlue Airways, Spirit Airlines, Sun Country Airlines and Virgin America. As of June 30, 2009, these five carriers served 43 non-stop destinations. Airport passenger traffic as a whole fell by 8.8% in fiscal year 2009 while passenger traffic for the low-cost carriers serving Logan Airport grew 7.1%. Subsequent to June 30, 2009, low-cost carriers Southwest and Porter Air have commenced service at Logan.

In fiscal year 2009, total combined cargo and mail volume was approximately 571.2 million pounds. Between fiscal years 2004 and 2008, the total volume of air cargo and mail handled at the Airport decreased by 20.3%, and the volume in fiscal year 2009 decreased by 11.4% from fiscal year 2008. From fiscal year 2008 to fiscal year 2009, air cargo (small package/express and freight) fell 12.6%. A large percentage of the total volume of air cargo for the period was attributable to integrated small package/express carriers, including Federal Express, United Parcel Service, ABX Air, Inc., Air Transport International, DHL Airways and ASTAR Air Cargo, Inc. Integrated carriers accounted for 63.4% of total domestic and international cargo volume in fiscal year 2009 and 63.8% in fiscal year 2008.

SELECTED FINANCIAL DATA

Table S-5 set forth in the statistical section of the CAFR reflects Revenues and Operating Expenses for the ten most recent fiscal years, prepared in accordance with accounting principles required by the 1978 Trust Agreement. Information for each of the ten fiscal years is derived from the Authority's financial statements for the respective fiscal years. (Note that in certain cases information from prior fiscal years has been conformed to comply with current GASB standards.) Financial statements of the

Authority for fiscal year 2009 and comparative data for fiscal year 2008, together with the report thereon of PricewaterhouseCoopers LLP, independent auditors, are included in the CAFR.

Table S-6 of the CAFR shows the calculation of Annual Debt Service Coverage of the Authority, as provided under the 1978 Trust Agreement, which equals the ratio of the Net Revenues of the Authority divided by the Annual Debt Service. “Net Revenues” is defined in the 1978 Trust Agreement as the excess of Revenues over Operating Expenses; provided that for the purpose of the calculations, proceeds of passenger facility charges (“PFCs”) have been excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. PFCs are pledged to secure the PFC Bonds, pursuant to the PFC Trust Agreement, and certain specific information pertaining to the PFC Bonds, as required by the PFC Disclosure Agreement, is set forth in the separate 2009 PFC Disclosure Statement. As used in the tables, “Annual Debt Service” is equal to the “Principal and Interest Requirements” on Bonds (other than BOSFUEL Bonds) outstanding for the applicable fiscal year.

MANAGEMENT’S DISCUSSION OF HISTORICAL OPERATING RESULTS

Prepared in Accordance with the 1978 Trust Agreement

Total Revenues in fiscal year 2009 were \$558.6 million, compared to \$589.3 and \$550.1 million in fiscal years 2008 and 2007, respectively, while Operating Expenses were \$334.8 million in fiscal year 2009 compared to \$336.9 and \$312.6 million in fiscal years 2008 and 2007, respectively, resulting in Net Revenues of \$223.8 million in fiscal year 2009. Logan Airport is the primary source of the Authority’s Revenues, Net Revenues and Operating Expenses. For a discussion of the differences between the accounting principles required by the 1978 Trust Agreement and generally accepted accounting principles, see Note B to the Financial Statements. Revenues and Net Revenues do not include PFC revenues, which are required under federal law to be applied to certain capital projects at the Airport and are not pledged for the benefit of holders of the Bonds. PFC revenues, exclusive of interest earnings, totaled \$57.5 million in fiscal year 2007, \$53.7 million in fiscal year 2008 and \$50.1 million in fiscal year 2009. PFC revenues in fiscal year 2009 were 6.8% lower than PFC revenues in fiscal year 2008, which was largely the result of a decline in passenger volumes of approximately 8.8%. Passenger facility charge revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date.

Airport Properties

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) decreased from fiscal year 2008 to fiscal year 2009 by 7.1%. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2009 was 8.6% lower than the prior fiscal year. Landed weights were 5.8% lower than the prior fiscal year. Parking revenues were 7.1% lower than revenues in fiscal year 2008, due to the reduced passenger traffic at Logan Airport during this recessionary period. Logan Airport generated approximately \$435.4 million of Revenue and incurred \$246.6 million of Operating Expenses in fiscal year 2009, compared to \$449.8 million and \$420.1 million of Revenues and \$247.0 million and \$232.4 million of Operating Expenses in fiscal years 2008 and 2007, respectively. Operating revenue and expense figures for Logan Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Logan Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Unlike many airport operators, the Authority does not have an airline use and lease agreement and, therefore, is not constrained by contractual arrangements with the air carriers serving the Airport governing the incurrence of aeronautical costs and the recovery of such costs in the landing fee and

terminal rentals. Instead, landing fees and terminal rentals are set annually by the Authority on a compensatory basis to cover direct and allocated capital, administration, maintenance and operating costs. Accordingly, each October, the Authority establishes the landing fee for the Airport per thousand pounds of landed weight and the rental rates for the terminals, based upon historical capital costs and projected landed weights or terminal rentable square feet (as applicable), and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year.

Landing Fees. Landing fee revenues at the Airport increased from \$82.2 million in fiscal year 2007 to \$87.1 million in fiscal year 2008 and increased to \$89.0 million in fiscal year 2009. This increase of approximately \$1.9 million or 2.2% in fiscal year 2009 revenue was essentially the result of a higher average landing fee charged in fiscal year 2009 compared to fiscal year 2008. The landing fee increased due to the additional costs associated with rising energy costs, as well as higher costs associated with the investment in and operating costs of new and existing facilities. Landed weights were 20,408,000 pounds in fiscal year 2007, 19,905,000 pounds in fiscal year 2008 and 18,742,000 pounds in fiscal year 2009.

Parking Fees. Airport parking revenues (including Logan Express) increased from \$99.4 million in fiscal year 2007 to \$110.6 million in fiscal year 2008, which was primarily due to the completion of the repair and expansion project that added approximately 2,800 parking spaces at the Central Garage facility. The number of commercial parking spaces at the Airport is subject to a limitation imposed by the EPA. Airport parking revenues decreased to \$102.8 million in fiscal year 2009 as fewer passengers traveled during this recessionary period.

Rentals. All leases with air carriers for terminal space at the Airport currently provide that the Authority may revise rental rates periodically, at the discretion of the Authority, to recover the actual direct and indirect capital and operating costs for such leased space. In addition, leases with certain carriers which are obligors of special facilities revenue bonds issued by the Authority and secured by a pledge of certain lease revenues are required to pay rent directly to the applicable trustee in an amount at least sufficient to pay the debt service on such bonds. In August 2001, the Authority entered into a long-term lease of Terminal A with Delta with a term that was scheduled to end on April 1, 2010, which could have been extended to 2030, pursuant to which Delta redeveloped Terminal A. The new Terminal A was substantially completed and opened for service on March 16, 2005. After Delta Airlines filed for bankruptcy protection in September 2005, the Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the Bankruptcy Court and by Ambac Assurance Corporation ("Ambac") as insurer of the Terminal A Special Facility Bonds and was effective as of July 1, 2006. Delta emerged from bankruptcy on April 30, 2007. During fiscal year 2009, after the merger with Northwest, Delta further amended its lease. Accordingly, Delta now has a ten year lease, which includes 14 of the 18 contact gates and five of the seven regional aircraft positions. In November 2007, the Authority entered into a five-year lease with Continental Airlines for four contact gates and two regional aircraft parking positions in Terminal A. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt.

The Authority has entered into a lease of the western wing of Terminal B with US Airways for a term scheduled to end September 30, 2023, and the Authority entered into a similar lease of a significant portion of the eastern wing of Terminal B with American Airlines for a term expiring in 2010, which may be extended to 2015. In fiscal year 2009, rentals from Terminal A were \$20.0 million, rentals from Terminal B were \$24.0 million.

In Terminal C, the Authority has a lease with jetBlue that runs from January 2005 through April 2010 with 20 automatic one-year extensions. In March 2007 jetBlue occupied eight gates and in

November 2008, the lease expanded to 11 gates. The Authority does not have long-term written agreements with the other airline tenants in Terminals C and E. Rental rates for such Terminals are set on a compensatory basis to recover direct and allocated capital, administration, maintenance and operation costs. Rental revenue from these two Terminals totaled \$60.7 million in fiscal year 2009. Rental income from buildings other than Terminals totaled \$21.8 million in fiscal year 2009 and income from land rentals produced an additional \$16.2 million.

Concessions. Revenues from concessions increased from \$53.7 million in fiscal year 2007 to \$63.1 million in fiscal year 2008 and decreased to \$58.7 million in fiscal year 2009. Concession revenues include payments made by rental car companies which operate at the Airport and commissions from the following concessions: food and beverage, news and gifts, duty free shops, specialty shops, ground transportation services and other concessions.

Hanscom Field. During fiscal year 2009, Revenues from operations at Hanscom Field represented approximately 1.6% of the total Revenues of the Authority, and Hanscom's Operating Expenses constituted approximately 2.6% of the Authority's Operating Expenses. In fiscal year 2009, Hanscom Field generated \$9.0 million of Revenue, with Operating Expenses of \$8.7 million, yielding an operating surplus before debt service or other capital expenses of approximately \$0.3 million. Operating revenue and expense figures for Hanscom Field stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Hanscom Field, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Worcester Regional Airport. All payments made under the Worcester Operating Agreement have been made from cash in the Improvement and Extension Fund.

Port Properties

In fiscal year 2009, the Revenue attributable to the Port Properties totaled approximately \$67.8 million, or approximately 12.1% of the Revenues of the Authority, and the Port Properties accounted for approximately \$66.9 million of Operating Expenses, or approximately 20.0% of the Authority's Operating Expenses. The Port Properties realized a surplus of approximately \$0.9 million and \$6.6 million in Net Revenues in fiscal year 2009 and 2008 respectively. The net loss (or negative Net Revenues) from Maritime Operations was \$1.3 million for fiscal year 2009 while the Net Revenue from Maritime Real Estate was \$2.2 million in fiscal year 2009. Over the period shown, the Authority has pursued a policy of seeking compensatory (or cost recovery) pricing, aggressively negotiating new lease terms when possible, and revenue development through more intense use of the Port Properties and a marketing program designed to increase the volume of containers handled and the number of cruise passengers who embark or disembark in Boston, in an effort to mitigate these deficits.

The Authority has traditionally experienced annual Port Properties operating deficits (Maritime and Business Development Revenues less Maritime and Business Development Operating Expenses). These deficits reflect the allocation of a portion of Authority-wide administrative and overhead costs as well as all direct costs.

Operating revenue and expense figures for the Port Properties stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Port Properties, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Bridge

In fiscal year 2009, Revenues from the Bridge were approximately \$28.9 million, or approximately 5.2% of the total Revenues of the Authority. Bridge Operating Expenses for fiscal year 2009 were \$12.6 million, yielding Net Revenue from Bridge operations of approximately \$16.3 million. Passenger car tolls are \$3.00 (less a \$0.50 discount for those using the “Fast Lane” electronic toll collection system). Operating revenue and expense figures for the Bridge operations stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Bridge, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Chapters 25, 26 and 120 of the Acts of 2009 (collectively, the “Transportation Reform Act”) established the Massachusetts Department of Transportation (“MassDOT”), which includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. As required by the Transportation Reform Act, the Authority will transfer the Bridge to MassDOT on January 1, 2010.

Other

Investment Income. Investment income (excluding PFCs and other trust funds not held under the 1978 Trust Agreement) increased from \$21.0 million in fiscal year 2007 to \$24.0 million in fiscal year 2008 and decreased to \$17.5 million in fiscal year 2009. Declining interest rates during the recessionary period contributed to the decrease in investment income in fiscal year 2009.



Centerfield Taxiway

Boston Logan International Airport's safety program was augmented with the opening of the Centerfield Taxiway three months ahead of schedule and \$12 million under budget. The 9,300 foot taxiway improves airfield safety by reducing the number of active runway crossings. The taxiway "Mike" will speed planes to and from gates and is expected to reduce annual delays by 10,000 hours.

**STATEMENT OF
PFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2009**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 20, 2009 (the “PFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon, as dissemination agent. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2009 (“fiscal year 2009”) updating the financial information and operating data presented in the Authority’s Official Statement dated May 31, 2007 relating to the 2007 PFC Bonds (the “2007 PFC Official Statement”) and the Authority’s Statement of PFC Annual Financial Information and Operating Data dated as of December 10, 2008 (the “2008 PFC Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2007 PFC Official Statement. This PFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 20, 2009 (the “2009 CAFR”) for fiscal year 2009 and the remaining sections of the 2009 CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2009 and comparative information for fiscal years 2008 and 2007, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as part of the 2009 CAFR. The 2007 PFC Official Statement and the 2008 PFC Annual Disclosure Statement are each on file with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”). For a more complete description of the Authority and the Bonds, reference is made to the 2007 Official Statement.

This PFC Annual Disclosure Statement applies to the following outstanding Series of Bonds issued by the Authority (collectively the “PFC Bonds”), issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”):

Massachusetts Port Authority PFC Revenue Bonds, Series 2007-B (Non-AMT)
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)
Massachusetts Port Authority PFC Revenue Bonds, Series 1999-B (AMT)

The Authority has issued and outstanding 17 series of bonds (the “Bonds”) pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the “1978 Trust Agreement”) between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”). Please see footnote F to the Authority’s financial statements as of June 30, 2009 for more detailed information. The Authority has issued six series of its Subordinated Revenue Bonds, outstanding in the aggregate principal amount of \$74,000,000 (collectively, the “Subordinated Revenue Bonds”). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement. The

Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

On May 15, 1997, the Authority issued its \$111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the “1997 BOSFUEL Bonds”). On July 12, 2007, the Authority issued its \$106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the “2007 BOSFUEL Bonds”). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

Pursuant to the Continuing Disclosure agreement dated as of August 1, 1997 (the “Continuing Disclosure Agreement”), between the Authority and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), the Authority is also issuing as of November 20, 2009 the 2009 CAFR with respect to the outstanding Bonds issued pursuant to the 1978 Trust Agreement and the BOSFUEL Bonds. The 2009 CAFR has been filed with each NRMSIR and is also available from the Authority and the Trustee.

For additional information concerning the Authority, please see the Authority’s website, www.massport.com. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2009 are available at www.emma.msrb.org or from the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, the Authority’s Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

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Annual Disclosure Statement

This PFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the PFC Trust Agreement, and not on the basis of GAAP.*** The information set forth herein does not contain all material information concerning the PFC Bonds or the Authority necessary to make an informed investment decision. This PFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the PFC Bonds.

This PFC Annual Disclosure Statement is submitted pursuant to the PFC Disclosure Agreement. The intent of the Authority's undertaking under the PFC Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the PFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the PFC Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the PFC Disclosure Agreement, the Authority has agreed with respect to the PFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the PFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the PFC Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the PFC Trustee or for the underwriters of the PFC Bonds, any registered owner or beneficial owner of PFC Bonds, any municipal securities broker or dealer, any potential purchaser of the PFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the PFC Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the PFC Trust Agreement or any other instruments relating to the PFC Bonds.

UPDATED OPERATING INFORMATION

Incorporation by Reference

To view the 2009 CAFR on-line, please visit http://www.massport.com/about/about_inves.html.

PFC ANNUAL FILING

The following information is provided with respect to the PFC Bonds pursuant to the PFC Disclosure Agreement.

Historical and Forecast PFCs and Estimated Debt Service Coverage

A table presenting historical PFC collections and estimated debt service coverage of the PFC Bonds as of June 30, 2009 is attached hereto as APPENDIX A.

First Lien Sufficiency Covenant

A calculation of the First Lien Sufficiency Covenant (as defined in the PFC Trust Agreement) as of June 30, 2009 is attached hereto as APPENDIX B.

Sources and Uses of Funds for 1999 PFC Bond Projects

The 1999 PFC Bond Projects consist of the “Gateway Terminal Building”, comprising an addition of approximately 410,000 square feet of new space to, and renovation of approximately 170,000 square feet of existing space at, Terminal E, the international terminal at the Airport, and development of the “Gateway Roadways”, comprising a new two-level system of public roads, service access and new curbside facilities. Collectively, the Gateway Terminal Building and the Gateway Roadways are referred to as the “International Gateway Project.” In May 2003, the new South Addition to the Gateway Terminal Building was placed in service; however, work continues on the Gateway Terminal Building portion of the project. On September 16, 2004, the Members of the Authority authorized an increase to the project budget for the International Gateway project (excluding an additional \$44.0 million of baggage screening improvements) from \$322.0 million to \$410.0 million. A portion of the increase in the project budget was used to effect a settlement of certain claims asserted by the previous contractor for the project, Modern Continental Construction, Inc., and to engage a new contractor, Skanska USA, Inc., for the project. Since that date, the approved project budget has increased by an additional \$9.45 million, to \$419.5 million (excluding an additional \$44.0 million of baggage screening improvements). As of June 30, 2008, the estimated cost of the International Gateway Project was approximately \$463.4 million (including \$44.0 million of baggage screening improvements). Also as of June 30, 2008, excluding the cost of hold baggage screening improvements, \$417.4 million had been committed through execution of construction contracts, change orders, work orders, purchase orders or other approved payments, and \$415.2 million had been expended. As of June 30, 2009, excluding the cost of hold baggage screening improvements, \$417.4 million had been committed through execution of construction contracts, change orders, work orders, purchase orders or other approved payments and, \$417.1 million had been expended. The primary sources of funding for the International Gateway Project are the Authority’s 1999 PFC Bonds, commercial paper (expected to be repaid with PFCs) and Revenue Bonds, Series 1999-D and 2005-B, as well as pay-as-you-go PFCs.

Amendment to PFC Application

On July 29, 2005, the Authority submitted a request to the FAA to amend the existing PFC authorization to increase the collection amount from \$3.00 to \$4.50, to decrease the amount of PFCs approved by the FAA to be used for certain completed projects, and to increase the FAA-approved amount for the International Gateway Project to \$483,631,000. On September 2, 2005, the FAA issued a Final Agency Decision increasing the PFC collected from eligible passengers enplaning at Logan Airport to \$4.50, effective October 1, 2005, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project to \$483,631,000, and decreasing the amount of PFCs to be used for certain completed PFC projects. The projected charge expiration date was February 1, 2011.

On December 6, 2005, the Authority submitted a PFC Application to the FAA to add ten new projects to Logan Airport’s PFC Program to amend one previously approved project and to request authority to collect a \$4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a Final Agency Decision approving the PFC Application (the “2006 Approval”). The Final Agency Decision approved \$293.0 million in PFC collection authority for the new projects, resulting in a total PFC collection authority of \$994.2 million, and approved \$280.2 million in PFC use authority, resulting in a total PFC use authority of \$981.4 million. The projected charge expiration date was February 1, 2016.

On May 26, 2009, the Authority received approval from the FAA to use PFC revenues to fund certain elements of the Centerfield Taxiway Project and to reduce the amount of PFC funding for the project (reflecting updated construction costs). Overall, the Authority's total PFC collections and use authority was amended to \$991.9 million with an expected expiration date of February 1, 2016.

In September 2009, the Authority initiated the process of amending its previously approved PFC Program to reflect actual costs for the PFC projects that have been constructed, and to add new projects to its PFC Program. The Authority expects to file an application amendment and a new application with the FAA in the winter of 2010.

International Gateway Project Sources and Uses

	Gateway Roadways	Gateway Terminal Building	Total
<u>PFC Pay-as-you-go Funding:</u>			
Preliminary Design:	\$ 588,000	\$ 2,678,000	\$ 3,266,000
Budgeted Construction Costs:	5,325,000	47,046,500	52,371,500
Budgeted OCIP:	1,380,000	12,794,000	14,174,000
Budgeted Contingency:	<u>0</u>	<u>19,446,500</u>	<u>19,446,500</u>
Subtotal PFC Pay-as-you-go Funding:	\$7,293,000	\$81,965,000	\$89,258,000
<u>PFC Revenue Bonds:</u>			
Series 1999A:	\$40,743,000		\$40,743,000
Series 1999B:		\$182,875,000	\$182,875,000
Commercial Paper: ¹	<u> </u>	<u>76,367,000</u>	<u>76,367,000</u>
Subtotal PFC-Related Funding:	\$48,036,000	\$341,207,000	\$389,243,000
<u>Non-PFC Revenue Bonds:</u>			
Series 1990A:		\$ 1,600,000	\$ 1,600,000
Series 1999D:		40,582,000	40,582,000
Series 2005B:		18,879,000	18,879,000
I&E Fund - Budgeted Contingency:		<u>3,218,000</u>	<u>3,218,000</u>
<u>Other Sources:</u>			
TSA Grant:	<u> </u>	<u>9,881,000</u>	<u>9,881,000</u>
Total Funding for International Gateway:	\$48,036,000	\$415,367,000	\$463,403,000

Sources and Uses of Funds for 2007 PFC Bond Projects

The 2007-B PFC Bonds were issued to finance the PFC-eligible costs, net of grant and other funding, of the design and construction of Runway 14/32 and Associated Taxiways and Southwest Taxiway, Infield and Taxiway K Improvements, Runway 4L/22R and 4R/22L Improvements and Airfield Drainage and Perimeter Road Improvements (collectively, the “2007-B PFC Bond Projects”). The 2007-D PFC Revenue Refunding Bonds were issued to advance refund all outstanding 1999-A PFC Bonds (the “Refunded Bonds”). The 2007-B PFC Bond Projects are among the capital projects approved for PFC funding by the FAA pursuant to the 2006 Approval. The following table shows the projects that will be partially or fully financed with the proceeds of the 2007-B PFC Bonds, as well as the other Approved Projects that were included in the 2006 Approval and prior year approvals.

¹ Expected to be repaid with PFCs.

APPROVED PFC PROJECTS

Project	Actual/ Budgeted Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As- You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual/Expected Date of Construction	Actual/Expected Date of Completion
APPROVED PFC PROJECTS FUNDED WITH THE 2007-B PFC BONDS AND INCLUDED IN THE 2006 APPROVAL								
Runway 14/32 and Associated Taxiways	\$87.5 million	\$17.4 million	--	--	\$52.1 million	\$18.0 million	August 2004	December 2006
Southwest Taxiway, Infield and Taxiway K Improvements	\$25.3 million	\$7.2 million	--	--	\$17.6 million	\$0.5 million	April 2007	December 2007
Runway 4L-22R and 4R-22L Improvements	\$33.8 million	\$18.1 million	\$5.1 million	--	\$10.6 million	--	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	\$1.2 million	\$1.2 million	--	--	--	--	June 2007	December 2007
PFC PROJECTS INCLUDED IN THE 1997 APPROVAL								
Residential Sound Insulation Program - 1999 Contour	\$80.2 million	--	\$15.3 million	--	\$65.6 million	--	March 1991	December 2000
Logan Modernization Preliminary Design and Environmental Approval	\$13.3 million	--	\$9.5 million	--	--	--	May 1993	December 1997
Terminal E Modernization	\$38.9 million	--	\$20.9 million	--	--	\$13.9 million	July 1995	July 1997
Circulating Roadways	\$164.0 million	--	\$144.4 million	\$19.0 million	--	--	August 1998	July 2006
Elevated Walkways	\$111.0 million	--	\$111.0 million	--	--	--	April 1997	March 2005
PFC PROJECTS INCLUDED IN THE 1998 APPROVAL								
International Gateway including Terminal E Hold Baggage Screening System	\$463.4 million	\$223.6 million	\$89.3 million	\$76.4 million	\$9.9 million	\$64.2 million	August 1998	August 2008
ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL								
Hold Baggage Screening at Terminal C	\$45.1 million	--	\$6.4 million	--	\$38.7 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	\$7.8 million	--	\$7.8 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	\$15.4 million	--	\$4.4 million	--	--	\$11.0 million	September 2005	September 2008
Access Control	\$28.0 million	--	\$9.4 million	\$15.0 million	\$3.3 million	\$0.3 million	November 2004	July 2008
Terminals B, C and E Aprons and Alleyways Reconstruction	\$13.9 million	--	\$13.9 million	--	--	--	July 2005	January 2007
Taxiway D Extension	\$13.3 million	--	\$3.3 million	--	\$10.0 million	--	October 2006	June 2010
Residential Sound Insulation Program - 1998, 2001 and Runway 14-32 Mitigation Contours	\$68.2 million	--	\$13.6 million	--	\$54.6 million	--	July 2001	March 2010
Centerfield Taxiway (1)	\$47.3 million	--	\$9.8 million	--	\$38.6 million	\$2.1 million	December 2007	December 2009

¹ (1) Amounts shown in this table reflect approved PFC authority as of June 30, 2009. Subsequently, the Authority initiated a PFC amendment process and a 2010 PFC application, to reduce PFC collection authority for PFC projects already completed, and to add new projects to the Authority's PFC program. Associated revised costs and funding are not reflected in this table, pending FAA approval of the 2010 application.

Additional Information

The remaining information required to be included in the Authority's Annual Filing under subsections 4(a)(ii), (iii), (iv) and 4(c) of the PFC Disclosure Agreement is included in the Authority's audited financial statements for the fiscal year ended June 30, 2009, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2009 CAFR.

* * *

This PFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the PFC Disclosure Agreement.

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Appendix A
Historical PFC Revenue and
Debt Service Coverage
Unaudited
(in thousands)

Fiscal Year	Enplaned Passengers (1)	Rate of Traffic Growth	Estimated Percent Passengers Paying PFCs (2)	Net PFC Collections (3)	PFC Investment Income	Total Collections Plus Investment Income	Gross Annual Debt Service (4)	Less Interest Income (5)	Net Annual Debt Service	Debt Service Coverage (6)
2000	13,800	4.15%	91.36%	\$36,815	\$4,483	\$41,298	\$13,212	\$10,604	\$2,608	15.84
2001	13,659	-1.02%	91.08%	36,324	3,901	40,225	21,543	9,904	11,639	3.46
2002	11,026	-19.27%	91.45%	29,445	2,652	32,097	21,547	7,402	14,145	2.27
2003	11,250	2.03%	88.55%	29,090	771	29,861	21,545	3,841	17,704	1.69
2004	12,236	8.76%	91.93%	32,845	607	33,452	21,548	895	20,652	1.62
2005	13,381	9.36%	91.32%	35,316	621	35,937	21,543	1,329	20,213	1.78
2006	13,662	2.10%	91.01%	48,324	1,265	49,589	21,546	1,305	20,241	2.45
2007	13,867	1.51%	94.46%	57,504	938	58,442	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,746	27,311	2,153	25,158	2.18
2009	12,453	-8.53%	91.65%	50,102	597	50,699	27,188	2,758	24,430	2.08

(1) Excludes general aviation passengers from whom PFCs are not collected.

(2) These figures are estimated based on PFC Collections for the respective fiscal years and after allowance for the air carriers' PFC Collection fee during the fiscal year. These figures are estimated because PFCs are collected from passengers at the time of ticket sale, not at the time the travel occurs.

(3) The substantial increase in net PFC collections in FY2006 reflects an increase in the authorized PFC level to \$4.50, from \$3.00 effective October 1, 2005. As of June 30, 2009, the air carrier PFC Collection fee was \$0.11.

(4) Less accrued interest from June 1, 1999 to June 16, 1999 in the amount of \$528,464 in fiscal year 2000.

(5) Interest income on the Debt Service Reserve Fund, the Project Fund and non-PFC interest income on the Debt Service Fund.

(6) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006, 2007, 2008 and 2009 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by the Authority that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Authority's Board on May 17, 2007.

Appendix B
First Lien Sufficiency Covenant
for the fiscal year ending June 30, 2009
(see attached notes and exhibits)
Unaudited

Unspent PFC Authority + Projected Additional Pledged Revenue

First Lien Sufficiency Covenant = _____ **= 1.63**

Projected Aggregate Debt Service

Unspent PFC Authority =		Projected Additional Pledged Revenue (currently none)	Projected Aggregate Debt Service
(A) Aggregate dollar amount of revenue authorized to be collected by the Authority under PFC Authority	\$991,948,158	\$0	Amount necessary to pay or redeem the 1999-B, 2007-B, and 2007-D PFC Bonds redeemed at maturity
minus			Projected Aggregate Debt Service =
(B) the dollar amount of Cost of Projects paid to date from PFC Pledged Revenue or legally obligated to date to be paid from PFC Pledged Revenue	478,756,396		(D) Aggregate amount of Annual Debt Service for the period commencing June 30, 2009 assuming all bonds redeemed at maturity including future interest on commercial paper
			\$271,752,310
(C) (including debt service paid to date on First Lien PFC Bonds and interest on commercial paper but excluding Projected Aggregate Debt Service with respect to First Lien PFC Bonds)	167,994,117		minus
Unspent PFC Authority =	\$345,197,645		amounts on deposit as of June 30, 2009
(A) minus sum of (B) and (C)			in the Debt Service Fund and
			Debt Service Reserve Fund,
			and projected interest earnings on
			the Project Funds and
			the Debt Service Reserve Fund
			8,224,859
			(E) Subtotal
			\$59,599,782
			Projected Aggregate Debt Service =
			(D) minus (E)
			\$212,152,528

(A), (B), (C), (D), (E): See attached notes

Note:

(A) See FAA's Record of Decision, dated May 26, 2009, page 2 (attached as Exhibit 1)			
(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2009 plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2009).			
		Paid to Date *	Legally Obligated to be Paid **
PFC Project 1:	Residential Sound Insulation Projects	\$ 15,325,217	\$ 0
PFC Project 2A:	Logan Modernization Program Planning, Preliminary Design and Environmental Analysis	9,513,984	0
PFC Project 3:	Terminal E Modernization	20,891,765	0
PFC Project 4:	Circulating Roadways	138,567,449	0
PFC Project 6:	International Gateway	254,493,156	0
PFC Project 17:	Elevated Walkways	110,720,934	0
PFC Project 20:	Residential Sound Insulation 1998 and 200165 Ldn Contours	3,638,885	4,951,115
PFC Project 21:	Residential Sound Insulation 14/32 Mitigation Contour	3,559,026	1,440,974
PFC Project 22:	Runway 14/32 and Associated Taxiways	4,367,613	12,263,682
PFC Project 23:	Taxiway Improvements	1,295,469	8,069,281
PFC Project 24:	Runway Improvements	8,348,637	12,257,352
PFC Project 25:	Reconstruction of Aprons & Alleyways	12,144,443	0
PFC Project 26:	Security Improvements	24,340,969	0
PFC Project 27:	Centerfield Taxiway	125,224	9,631,717
PFC Project 30:	Airfield Drainage Improvements	18,352	151,648
PFC Project 31:	Airfield Perimeter Road Improvements	21,689	179,709
Subtotal		\$ 607,372,810	\$ 48,945,479
Less: PFC Debt Service Paid		(\$ 177,561,893)	0
Total		\$ 429,810,917	\$ 48,945,479
Total of Paid to Date and Legally Obligated to be Paid:			\$ 478,756,396
*Source: June 30, 2009 Passenger Facility Charge Quarterly Report. (See Exhibit 2.) For PFC Project 6, the Paid to Date figure shown here does not include \$ 177,561,893.03 of PFC Pledged Revenue used to pay debt service on the 1999A, 1999B, 2007B, and 2007D PFC Revenue Bonds through June 30, 2009. **Legally Obligated to be Paid Amounts: PFC Projects 1, 2A and 3: These projects are complete. PFC Projects 4, 6 and 17: Source: Logan Modernization Cost Report, June 2009. PFC Projects 20 to 31: Source: Massport Capital Programs Quarterly Report for quarter ended June 30, 2009.			
(C) Debt Service Paid to Date consists of the interest and principal payments made to bondholders through January 2, 2009, as well as interest paid on commercial paper. The amount of PFC Pledged Revenue used to pay debt service was \$ 155,697,783.03 and the interest amount paid on interest on Commercial Paper was \$ 12,296,334.20.			
(D) Aggregate amount of Annual Debt Service as of June 30, 2009 assuming the 1999-B, 2007-B and 2007-D Bonds are redeemed at maturity (See attached Exhibit 3)			\$ 265,357,310
Aggregate amount of future interest payments on commercial paper, as of June 30, 2009			\$ 6,395,000
(E) Sum of amounts on deposit as of June 30, 2009 in the Debt Service Fund and Debt Service Reserve Fund, and projected interest earnings on the Project Funds and Debt Service Reserve Fund:			
assuming the 1999-B, 2007-B and 2007-D Bonds are redeemed at maturity (See attached Exhibit 3)			\$ 59,599,782

Exhibit 1

Cumulative PFC Authority Including Current Decision

For the purpose of any future amendments under §158.37, which may increase the total approved net PFC revenue, the following amounts, "Approved for Use" are specified. The applicability of §158.37(b) is determined by comparing the sum total actual costs of all projects approved for use of PFC revenue within a given application. The amount "Approved for Collection" shown for each application is the total collection authorized for all projects within a given application, including those for which only collection is authorized.

DECISION SUMMARY TABLE

Application Number	Approved for Collection	Approved for Use
93-01-C-00-BOS	\$598,800,000	\$12,028,000
93-01-C-01-BOS	(\$361,138,000)	(\$1,682,000)
93-01-C-02-BOS	\$231,102,000	\$0
93-01-C-03-BOS	\$295,552,000	\$0
93-01-C-04-BOS	(\$62,300,783)	(\$832,000)
96-02-C-00-BOS	\$163,037,000	\$482,901,000
96-02-C-01-BOS	\$0	(\$110,993,783)
96-02-C-02-BOS	(\$163,037,000)	(\$163,037,000)
97-03-U-00-BOS	\$0	\$434,106,000
97-03-U-01-BOS	\$0	\$49,525,000
06-04-U-00-BOS	\$293,018,000	\$280,176,000
06-04-U-01-BOS	(\$3,085,059)	\$0
09-05-U-00-BOS	\$0	\$9,756,941
Totals	\$991,948,158	\$991,948,158

Exhibit 2
PFC Quarterly Report
Project Activity
General Edward Lawrence
Logan International Airport
Quarter Ended June 30, 2009

Projects	Approval of Use Date	Project Start	Project Stop	Cumulative Expenditures	Amount of Use Approval	Current Estimated Costs
Project 1- Residential Sound Insulation (RSIP)	27-Jan-97	1-Jan-91	31-Dec-00	\$ 15,325,217	\$ 15,323,217	\$ 15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design, and Environmental Analysis	24-Aug-93	1-Jul-93	31-Dec-97	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Improvements	27-Jan-97	1-Jul-94	31-Aug-97	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	27-Jan-97	1-Jul-95	31-Jan-07	138,567,449	172,655,000	171,269,000
Project 6 - International Gateway	5-Feb-98	1-Jul-95	31-Dec-07	254,493,156	483,631,000	483,631,000
Project 17 - Elevated Walkways	20-Apr-06	1-Jun-95	30-Jun-05	110,720,934	112,298,000	112,298,000
Project 20 - Residential Sound Insulation -1998 & 2001- 65 LDN Contours	20-Apr-06	1-Jul-01	29-Feb-08	3,638,885	8,590,000	8,590,000
Project 21- Residential Sound Insulation -Runway14/32 Mitigation Contour	20-Apr-06	1-Sep-05	31-Mar-10	3,559,026	5,200,000	5,200,000
Project 22 - Runway 14/32	20-Apr-06	1-Aug-04	30-Jun-07	4,367,613	31,240,000	31,240,000
Project 23 - Taxiway Improvement	20-Apr-06	1-Oct-06	30-Jun-10	1,295,469	11,243,000	11,243,000
Project 24 - Runway Improvement -to 4L-22R and 4R-22L	20-Apr-06	1-Apr-04	31-Jan-07	8,348,637	32,210,000	32,210,000
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	20-Apr-06	1-Sep-05	31-Dec-07	12,144,443	13,933,000	13,933,000
Project 26 - Security Improvement	20-Apr-06	1-Aug-02	31-Dec-07	24,340,969	63,815,000	63,815,000
Project 27 - Centerfield Taxiway	14-May-09	1-Jun-05	31-Dec-09	125,224	9,756,941	9,756,941
Project 30 - Airfield Drainage Improvement	20-Apr-06	1-Jul-06	31-Jan-08	18,352	549,000	549,000
Project 31- Airfield Perimeter Road Improvement	20-Apr-06	1-Jul-07	29-Feb-08	21,689	1,098,000	1,098,000
Total Imposed and Use				\$ 607,372,810	\$ 991,948,158	\$ 990,563,907

Exhibit 3

Amount necessary to pay or redeem all the PFC Bonds at maturity:

1	Principal Payment to be made on July 1, 2009 - 1999-B Bonds	12,630,000
2	Principal Payment to be made on July 1, 2009 - 2007-B and 2007-D Bonds	3,910,000
3	Principal Payment to be made on July 1, 2010 - 1999-B Bonds	13,325,000
4	Principal Payment to be made on July 1, 2010 - 2007-B and 2007-D Bonds	4,065,000
5	Principal Payment to be made on July 1, 2011 - 1999-B Bonds	14,050,000
6	Principal Payment to be made on July 1, 2011 - 2007-B and 2007-D Bonds	4,220,000
7	Principal Payment to be made on July 1, 2012 - 1999-B Bonds	14,820,000
8	Principal Payment to be made on July 1, 2012 - 2007-B and 2007-D Bonds	4,383,000
9	Principal Payment to be made on July 1, 2013 - 1999-B Bonds	15,635,000
10	Principal Payment to be made on July 1, 2013 - 2007-B and 2007-D Bonds	4,560,000
11	Principal Payment to be made on July 1, 2014 - 1999-B Bonds	16,495,000
12	Principal Payment to be made on July 1, 2014 - 2007-B and 2007-D Bonds	4,735,000
13	Principal Payment to be made on July 1, 2015 - 1999-B Bonds	12,280,000
14	Principal Payment to be made on July 1, 2015 - 2007-B and 2007-D Bonds	8,965,000
15	Principal Payment to be made on July 1, 2016 - 2007-B and 2007-D Bonds	22,325,000
16	Principal Payment to be made on July 1, 2017 - 2007-B and 2007-D Bonds	52,910,000
17	Principal Balance Remaining to be Paid as of June 30, 2009 (Sum of Rows 1-16)	\$ 209,308,000
18	Interest Payments made July 1, 2009 - 1999-B Bonds	2,721,910
19	Interest Payments made July 1, 2009 - 2007-B and 2007-D Bonds	2,602,200
20	Interest Payments to be made July 2, 2009 through July 1, 2010 - 1999-B Bonds	4,750,190
21	Interest Payments to be made July 2, 2009 through July 1, 2010 - 2007-B and 2007-D Bonds	5,048,500
21	Interest Payments to be made July 2, 2010 through July 1, 2011 - 1999-B Bonds	4,025,615
22	Interest Payments to be made July 2, 2010 through July 1, 2011 - 2007-B and 2007-D Bonds	4,886,275
22	Interest Payments to be made July 2, 2011 through July 1, 2012 - 1999-B Bonds	3,253,505
23	Interest Payments to be made July 2, 2011 through July 1, 2012 - 2007-B and 2007-D Bonds	4,717,725
23	Interest Payments to be made July 2, 2012 through July 1, 2013 - 1999-B Bonds	2,439,053
24	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2007-B and 2007-D Bonds	4,542,525
24	Interest Payments to be made July 2, 2013 through July 1, 2014 - 1999-B Bonds	1,579,488
25	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2007-B and 2007-D Bonds	4,360,275
25	Interest Payments to be made July 2, 2014 through July 1, 2015 - 1999-B Bonds	673,550
26	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2007-B and 2007-D Bonds	4,137,650
27	Interest Payments to be made July 2, 2015 through July 1, 2016 - 2007-B and 2007-D Bonds	3,731,450
28	Interest Payments to be made July 2, 2016 through July 1, 2017 - 2007-B and 2007-D Bonds	2,579,400
29	Interest Remaining to be Paid as of June 30, 2009 (Sum of Rows 18-28)	\$56,049,310
30	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2009 assuming all bonds are held to maturity (Sum of Rows 17 and 29)	\$ 265,357,310
31	Projected earnings on Debt Service Reserve Fund as of June 30, 2009	(8,224,859)
32	Projected earnings on the Project Fund as of June 30, 2009	(73,814)
33	Balance of the Debt Service Fund as of June 30, 2009	(21,864,110)
34	Balance of the Debt Service Reserve Fund as of June 30, 2009	(29,437,000)
35	Subtotal (Sum of Rows 31-34)	(\$59,599,782)
36 *	Amount necessary to pay or redeem the PFC Bonds at maturity: (Sum of Row 30 and Row 35)	\$ 205,757,528

*Minimum amount necessary to pay or redeem the PFC Bonds at maturity or redemption.



Report Prepared by
The Administration and Finance Department

John P. Prancevicius, CPA
Director of Administration and Finance/Secretary-Treasurer

Betsy Taylor
Director of Finance and Treasury

Michael G. Ellis
Comptroller

Winnie K. Diep
Financial Reporting Manager

